

No. MC 136390 TA, filed February 4, 1972. Applicant: JOHN B. RUSLING, Box 225, Stephen, MN 56757. Applicant's representative: Arthur A. Drenckhahn, Box 159, Warren, MN 56762. Authority sought to operate as a *contract carrier*, by motor vehicle, over irregular routes, transporting: *Steel bins, steel building, commercial building, and motors, augers, aeration equipment, and other equipment* related to and a part of these buildings, from Columbus, Nebr., to points in Minnesota on and west of Minnesota Highway No. 89 and on and north of U.S. No. 2, for 180 days. Supporting shipper: N. W. Steel, Inc., Donaldson, Minn. 56720. Send protests to: J. H. Ambbs, District Supervisor, Bureau of Operations, Interstate Commerce Commission, Post Office Box 2340, Fargo, ND 58102.

MOTOR CARRIER OF PASSENGERS

No. MC 110373 (Sub-No. 14 TA), filed February 1, 1972. Applicant: NORTH-EAST COACH LINES, 419 Anderson Avenue, Fairview, NJ 07022. Applicant's representatives: Bowes & Millner, 744 Broad Street, Newark, NJ 07102. Authority sought to operate as a *common carrier*, by motor vehicle, over regular routes, transporting: *Passengers and their baggage and newspapers and express* in the same vehicle with passengers, (1) Between Denville, N.J., and New York, N.Y., from Denville, N.J., over Interstate Highway 80 to junction Interstate Highway 95 at the Teaneck, N.J., and Ridgefield Park, N.J., boundary line, then over Interstate Highway 95 to Secaucus, N.J., Interstate Highway 95 being known as the New Jersey Turnpike between Ridgefield Park, N.J., and Secaucus, N.J., then over Interstate Highway 95 exit road to junction Interstate 495, in North Bergen, N.J., then over Interstate Highway 495, to New York, N.Y., through the Lincoln Tunnel, and return over the same routes using Interstate Highway 95 (New Jersey Turnpike) access road in North Bergen, N.J., for operating convenience only, serving no intermediate points. NOTE: The applicant has existing authority in MC 110373 (Sub-No. 9) to operate over Interstate Highway 80 to Denville, N.J., in connection with an existing route between Sparta and Wayne, N.J., serving no intermediate points. Applicant requests that such existing restriction be amended to permit joinder of the proposed route to applicant's existing route in MC 110373 (Sub-No. 9), for purpose of joinder only, (2) between Wayne Township, N.J., and New York, N.Y., from junction of New Jersey Highway 23 and Interstate Highway 80 in Wayne, N.J., over Interstate Highway 80 to junction Interstate Highway 95, at the Teaneck, N.J., and Ridgefield Park, N.J., boundary line, then over Interstate Highway 95 to Secaucus, N.J., Interstate Highway 95 being known as the New Jersey Turnpike between Ridgefield Park, N.J., and Secaucus, N.J., then over Interstate Highway 95 exit road to junction Interstate Highway 495 in North Bergen, N.J., and return over the same routes using Interstate Highway 95 (New Jersey

Turnpike) access road in North Bergen, N.J., for operating convenience only, serving no intermediate points. The applicant proposes to join the above-described proposed route to all of its existing routes in Docket MC 110373 and sub numbers thereunder in order to provide service between all points on its existing routes in New Jersey and New York, N.Y., via such existing routes and the proposed routes, for 180 days. Supporting shippers: R. C. Giordano, 72 Main Street, Sparta, NJ, and 43 other passengers whose names are on file at the Newark, N.J., field office. Send protests to: District Supervisor Joel Morris, Bureau of Operations, Interstate Commerce Commission, 970 Broad Street, Newark, NJ 07102.

By the Commission.

[SEAL] ROBERT L. OSWALD,
Secretary.

[FR Doc.72-2727 Filed 2-23-72;8:48 am]

[Notice 19]

MOTOR CARRIER TRANSFER PROCEEDINGS

FEBRUARY 18, 1972.

Synopses of orders entered pursuant to Section 212(b) of the Interstate Commerce Act, and rules and regulations prescribed thereunder (49 CFR Part 1132), appear below:

As provided in the Commission's special rules of practice any interested person may file a petition seeking reconsideration of the following numbered proceedings within 20 days from the date of publication of this notice. Pursuant to section 17(8) of the Interstate Commerce Act, the filing of such a petition will postpone the effective date of the order in that proceeding pending its disposition. The matters relied upon by petitioners must be specified in their petitions with particularity.

No. MC-FC-73347. By order of February 15, 1972, the Motor Carrier Board approved the transfer to Okey Clayton Sheets and Jerry Wayne Sheets, a partnership, doing business as Sheets Transfer and Storage, Mount Airy, N.C., of certificate No. MC-104684, issued December 28, 1966, to John Leon Worth, doing business as Haynes Transfer, Mount Airy, N.C., authorizing the transportation of: Household goods as defined by the Commission, between Mount Airy, N.C., and points within 10 miles thereof, on the one hand, and, on the other, points in Virginia and South Carolina. John Leon Worth, 600 West Pine Street, Mount Airy, NC 27030, representative for applicants.

No. MC-FC-73449. By order of February 15, 1972, the Motor Carrier Board approved the transfer to Salka & Sons, Inc., Meriden, Conn., of the operating rights set forth in certificate No. MC-104664, issued March 3, 1970, to Kenneth C. Salka, doing business as Salka & Sons, Meriden, Conn., authorizing the transportation of household goods, as defined by the Commission, between Meriden, Conn., and points within 10 miles of

Meriden, on the one hand, and, on the other, points in Massachusetts, Maine, New Hampshire, New Jersey, New York, Rhode Island, and Vermont. Sidney L. Goldstein, 109 Church Street, New Haven, CT 06510, attorney for applicants.

No. MC-FC-73465. By order of February 15, 1972, the Motor Carrier Board approved the transfer to Best-Way Motor Express, Inc., Rockford, Ill., of certificate No. MC-4575, issued March 3, 1971, to John E. Bruner and John P. Bruner, doing business as Bruner Transfer, Beloit, Wis., and acquired by transferor herein, Bruner Transfer, Inc., pursuant to approval and consummation of No. MC-FC-73201 on November 25, 1971, covering the transportation of: General commodities, usual exceptions, from specified points in Wisconsin to designated points in Illinois, namely, from Beloit, Wis., to points in Illinois within 25 miles thereof, and from three named points in Illinois to Beloit, Wis. Robert M. Kaske, Practitioner, 2017 Wisteria Road, Rockford, IL 61107.

No. MC-FC-73470. By order of February 15, 1972, the Motor Carrier Board approved the transfer to Porter Truck Lines, Inc., La Fayette, Ore., of certificates Nos. MC-34167 and MC-34167 (Sub-No. 2), issued October 7, 1943, and February 27, 1958, to Laurance Porter, doing business as Porter Truck Line, La Fayette, Ore., authorizing the transportation of: General commodities, usual exceptions, between specified points and areas in Oregon. Lawrence V. Smart, Jr., attorney, 419 Northwest 23d Avenue, Portland, OR 97222.

No. MC-FC-73476. By order of February 15, 1972, the Motor Carrier Board approved the transfer to Cargo Contract Carrier Corp., Sioux City, Iowa, of the operating rights in permits Nos. MC-59694 (Sub-No. 1), MC-59694 (Sub-No. 2), MC-59694 (Sub-No. 3), MC-59694 (Sub-No. 4), and MC-59694 (Sub-No. 5) issued December 23, 1969, December 23, 1969, March 6, 1968, April 30, 1969, and March 14, 1969, respectively to Missouri Valley Express, Inc., Omaha, Nebr., authorizing the transportation of various commodities from specified points in Iowa, Minnesota, and Nebraska to specified points in Illinois and New York. William J. Hanlon, 4423 South 67th Street, Omaha, NE 68117, attorney for applicants.

[SEAL] ROBERT L. OSWALD,
Secretary.

[FR Doc.72-2724 Filed 2-23-72;8:48 am]

NOTICE OF FILING OF MOTOR CARRIER INTRASTATE APPLICATIONS

FEBRUARY 18, 1972.

The following applications for motor common carrier authority to operate in intrastate commerce seek concurrent motor carrier authorization in interstate or foreign commerce within the limits of the intrastate authority sought, pursuant to section 206(a)(6) of the Interstate Commerce Act, as amended October 15, 1962. These applications are governed by

Special Rule 1.245 of the Commission's rules of practice, published in the *FEDERAL REGISTER*, issue of April 11, 1963, page 3533, which provides, among other things, that protests and requests for information concerning the time and place of State Commission hearings or other proceedings, any subsequent changes therein, any other related matters shall be directed to the State Commission with which the application is filed and shall not be addressed to or filed with the Interstate Commerce Commission.

Montana docket number unknown, filed October 15, 1971. Applicant: CLARK FORK VALLEY EXPRESS CO., INC., 655 Helena Avenue, Helena, MT 59601. Applicant's representative: David L. Jackson, 20 East Sixth Avenue, Helena, MT 59601. Certificate of public convenience and necessity sought to operate as a common carrier as follows: Transportation of persons, baggage and express, between Missoula, Mont., and Helena, Mont., via U.S. Highway 10 (I-90) and U.S. Highway No. 12, serving the intermediate points of Drummond, Garrison, Elliston, and Avon. Both intrastate and interstate authority sought.

HEARING: Date, time, and place unknown. Requests for procedural information including the time for filing protests concerning this application should be addressed to the Board of Railroad Commissioners, State of Montana, Helena, Mont. 59601 and should not be directed to the Interstate Commerce Commission.

Texas Docket No. 2395, filed February 11, 1972. Applicant: CURRY MOTOR FREIGHT LINES, INC., 700 Northeast Third Street, Amarillo, TX. Applicant's representative: Grady L. Fox, 222 Amarillo Building, Amarillo, Tex. Certificate of public convenience and necessity sought to operate a freight service as follows: Transportation of *General commodities*, from Shamrock, Tex., via U.S. Highway 66 (Interstate 40), approximately 6 miles east to the intersection of Texas FM 1802, and then approximately 1 mile south to the plantsite at Norrick, Tex., and return over the same route. Both intrastate and interstate authority sought.

HEARING: Date, time, and place not shown. Requests for procedural information including the time for filing protests concerning this application should be addressed to the Railroad Commission of Texas, Capitol Station, Post Office Drawer 12967, Austin, TX 78711 and should not be directed to the Interstate Commerce Commission.

Texas Docket No. 4354, filed January 5, 1972. Applicant: ALLISON-LOGAN FREIGHT LINE, INC., 106 West High Street, Post Office Box 724, Terrell, TX 75160. Certificate of public convenience and necessity sought to operate a freight service as follows: Transportation of *general commodities*, except those in bulk, excluding explosives, automobiles, livestock, frozen products and produce; (1) between Dallas, Tex., and Sulphur Springs, Tex., as follows: From Dallas to Sulphur Springs, over Interstate High-

way 30 and return over the same route, serving the termini and all intermediate points; (2) between the junction of Interstate Highway 30 and Texas Highway 19, near Sulphur Springs, Tex., to the junction of U.S. Highway 80 and Texas Highway 19, connecting with existing operations, via U.S. Highway 80 to Mineola, Tex., thence U.S. Highway 69 to Tyler, Tex., serving the termini and all intermediate points, returning over the same route; (3) between Sulphur Springs, Tex., and Tyler, Tex., as follows: From the junction of Interstate Highway 30 and Texas Highway 154, near Sulphur Springs, Tex., over Texas Highway 154 to the junction of Texas Highway 154 and Texas Highway 37 at Quitman, Tex., to connect with existing operating authority over Texas Highway 37 to Mineola, Tex., thence U.S. Highway 69, to Tyler, Tex., and return over the same route, serving the termini and all intermediate points; (4) between the junction of Interstate Highway 30 and Texas Highway 11, near Sulphur Springs, Tex., to Winnsboro, Tex., via Texas Highway 11, thence from the junction of Texas Highway 11 and Texas Highway 37, thence Texas Highway 37 to Quitman, Tex., to connect with existing authorized service, for continuation via Texas Highway 37, thence U.S. Highway 69 to Tyler, Tex., and return over the same route, serving the termini and all intermediate points not served at the present time; (5) from Dallas, Tex., to Tyler, Tex., as follows: Interstate Highway 20, to the junction of U.S. Highway 69, thence U.S. Highway 69, to Tyler, Tex., returning over the same route, serving the termini and all intermediate points;

(6) Between the junction of Interstate Highway 30 and Texas Highway 19, near Sulphur Springs, Tex., to the junction of Interstate 20 and Texas Highway 19, thence Interstate Highway 20, to the junction of Interstate Highway 20 and U.S. Highway 69, thence U.S. Highway 69, to Tyler, Tex., returning over the same route, serving the termini and all intermediate points; (7) between the junction of Texas Highway 19 and Interstate Highway 30, near Sulphur Springs, Tex., to the junction of U.S. Highway 19 and U.S. Highway 80, to connect with existing operating authority over U.S. Highway 80 to Tyler, Tex., via U.S. Highway 80 to Mineola, Tex., thence U.S. Highway 69 to Tyler, Tex., on the one hand, and, via U.S. Highway 80 to Terrell, Tex., on the other, returning over the same route and serving all intermediate points not now being served; (8) between the junction of U.S. Highway 80 and Texas Highway 64, to the junction of Interstate Highway 20 and Texas Highway 64, thence to the junction of Interstate Highway 20 and U.S. Highway 69, thence U.S. Highway 69 to Tyler, Tex., returning over the same route, serving the termini and all intermediate points; (9) to connect existing service from the junction of Farm/Ranch Road 47 and U.S. Highway 80, near Wills Point, Tex., to the junction of Farms/Ranch Road 47 and Interstate 20, thence on Interstate 20, to the junction of U.S. Highway 69

and Interstate 20, thence U.S. Highway 69, to Tyler, Tex., serving the termini and all intermediate points, returning over the same route; (10) between existing authorized point at Grand Saline, Tex., on U.S. Highway 80, to Tyler, Tex., via Texas Highway 110, and return over the same route, serving the termini and all intermediate points; (11) between Terrell, Tex., on Texas Highway 34, to the junction of Interstate Highway 30 and U.S. Highway 69, near Greenville, Tex., thence on U.S. Highway 39 to Lone Oak, Tex., to connect with existing authorized operating rights on U.S. Highway 69, returning over the same route, serving all intermediate points;

(12) Between Loan Oak, Tex., and Sulphur Springs, Tex., as follows: From Loan Oak, Tex., on U.S. Highway 69, to the junction of U.S. Highway 69 and Interstate Highway 30, near Greenville, Tex., thence on Interstate Highway 30, to the junction of Interstate Highway 30 and Texas Highway 19, near Sulphur Springs, Tex., returning over the same route, serving the termini and all intermediate points; (13) between Loan Oak, Tex., and Sulphur Springs, Tex., as follows: From the junction of U.S. Highway 69 and Farm/Ranch Road 513, to the junction of Interstate Highway 30 and Farm/Ranch Road 513, at Campbell, Tex., thence Interstate Highway 30, to the junction of Interstate Highway 30 and Texas Highway 19, near Sulphur Springs, Tex., returning over the same route, serving all intermediate points, including the off-route point of Cumby; (14) between Point, Tex., and Winnsboro, Tex., as follows: From the junction of U.S. Highway 69 and Farm/Ranch Road 514, to the junction of Texas Highway 154 and Farm/Ranch Road 514, thence Texas Highway 154, to the junction of Texas Highway 154 and Farm/Ranch Road 515, thence Farm/Ranch Road 515 to the junction of Farm/Ranch Road 515 and U.S. Highway 11, near Winnsboro, Tex., returning over the same route, serving the termini and all intermediate points; (15) from the junction of U.S. Highway 69 and Farm/Ranch Road 514, near Point, Tex., to the junction of Farm/Ranch Road 514 and Farm/Ranch Road 275, thence to the junction of Farm/Ranch Road 2653 and Farm/Ranch Road 275, to the junction of Interstate Highway 30 and Farm/Ranch Road 2653 on the one hand, and, on the other, from the junction of Farm/Ranch Road 514 and 275, to the junction of Farm/Ranch Road 275 and Interstate Highway 30, thence Interstate Highway 30 and Texas Highway 19, near Sulphur Springs, Tex., serving the termini and all intermediate points returning over the same route;

(16) Between Alba, Tex., at the junction of U.S. Highway 69 and Texas Highway 182, to Quitman, Tex., near the junction of Texas Highway 182 and Texas Highway 152, thence Texas Highway 37 to Mineola, Tex., to connect to existing authorized route, returning over the same route, serving all intermediate points; (17) between Dallas, Tex., on Texas Highway 66 to Greenville, Tex.,

thence to Texas Highway 24, from Greenville, Tex., to the junction of Texas Highway 24 and Texas Highway 19, then to Paris, Tex., on Texas Highways 24 and 19, then returning over the same route, serving the termini and all intermediate points; (18) between Dallas, Tex., on Interstate Highway 30, to the junction of Texas Highway 19 and Interstate Highway 30, then Texas Highway 19, to the junction where Texas Highways 19 and 24 combine, thence to Paris, Tex., returning over the same route, serving the termini, and all intermediate points; (19) between Sulphur Springs, Tex., over Interstate Highway 30, to the junction of Interstate Highway 30 and Texas Highway 37, thence Texas Highway 37 to Winnsboro, Tex., thence continuing on Texas Highway 37 to connect with existing authorized operating rights at Mineola, Tex., returning over the same route, serving all intermediate points; (20) between junction of U.S. Highway 80 and Texas Highway 205, near Terrell, Tex., to the junction of Interstate Highway 30 and Texas Highway 205, returning over the same route, serving all intermediate points and (21) between the junction of Interstate Highway 30 and Texas Highway 276, to Quinlan, Tex., on Texas Highway 276, thence Farm/Ranch Road 35, near Quinlan, Tex., to the junction of Farm/Ranch Roads 35 and 47, to connect with existing authority to Point, Tex., and Lone Oak, Tex., returning over the same route, serving all intermediate points. Both intrastate and interstate authority sought.

HEARING: Approximately 30 days after being published in the *FEDERAL REGISTER*, time and place not shown. Requests for procedural information including the time for filing protests concerning this application should be addressed to the Railroad Commission of Texas, Capitol Station, Post Office Drawer 12967, Austin, TX 78711, and should not be directed to the Interstate Commerce Commission.

Oklahoma Docket No. MC 24953 (Sub-No. 2), filed October 29, 1971. Applicant: BRUCE BROWN, doing business as BROWN FREIGHT LINES, 2119 Dublin Road, Oklahoma City, OK. Applicant's representative: William L. Anderson, 4700 North Thompson, Oklahoma City, OK. Certificate of public convenience and necessity sought to operate a freight service as follows: Transportation of Freight, from Oklahoma City, via State Highway 74, to its intersection of State Highway 15 and U.S. Highway 64, thence to Enid, thence via U.S. Highway 81 to Waukomis, serving the off-route points of Cashion, Lovell, Douglas, and Fairmont. This authority to be in both directions, serving all points and places along the routes described, and to include the right to serve any customers near the towns or the routes described, where they are within the normal and reasonable delivery limits, and which can be served by the carrier without going through any town to which he does not have authority, and is to be linked with all presently held authority and authority that might be granted in pending applications. Both

intrastate and interstate authority sought.

HEARING: March 20, 1972, at 9 a.m., at the Oklahoma Corporation Commission, 340 Jim Thorpe Building, Oklahoma City, Okla. Requests for procedural information including the time for filing protests concerning this application should be addressed to the Corporation Commission of Oklahoma, 340 Jim Thorpe Office Building, Oklahoma City, Okla. 73105, and should not be directed to the Interstate Commerce Commission.

Florida Docket No. 72056-CCB, filed February 1, 1972. Applicant: CITIES TRANSIT INC. OF FLORIDA, 415 South Ingraham Avenue, Post Office Box 1553, Lakeland, FL 33802. Applicant's representative: M. Craig Massey, 202 East Walnut Street, Post Office Drawer J, Lakeland, FL 33802. Certificate of public convenience and necessity sought to operate as a common carrier of *Passengers and baggage* over the following routes: Route 12 from Lakeland via Florida Highway 37 to Mulberry, thence Florida Highway 60 to Bartow, thence U.S. Highway 98 to Lakeland and return, serving all intermediate points. Route 13 from Lakeland via U.S. Highway 92 to Auburndale, thence Florida Highway 544 to Winter Haven, thence Florida Highway 540 through Cypress Gardens to its intersection with U.S. Highway 27, thence U.S. Highway 27 to Haines City, thence U.S. Highway 17-92 to Davenport, thence Florida Highway 547 to U.S. Highway 27, thence on U.S. Highway 27 to Interstate Highway No. 4, thence to U.S. Highway 192 and/or Florida Highway 535 to Disney World and return, serving all intermediate points. Route 14 from Sarasota to Bradenton and Palmetto using U.S. Highway 41, thence U.S. Highway 301 to Florida Highway 674, thence Florida Highway 674 to Florida Highway 37, thence Florida Highway 37 to Lakeland, thence Florida Highway 33 to Interstate Highway 4, thence Interstate Highway 4 to U.S. Highway 192 and/or Florida Highway 535 to Disney World and return, serving all intermediate points. Route 15 between Sarasota and Venice via Siesta and Casey Keys. Leave Sarasota from First Street and Central Avenue via First Street to Orange Avenue to Main Street to U.S. 41 to Siesta Drive to Florida 789 to Florida 789A to 789 to Florida 72 to U.S. 41 to Florida 789 (Blackburn Road) to Casey Key, thence Florida 789 (Albee Road) to U.S. 41 to Ridgewood Avenue to Venetian Parkway to Venice Avenue to Esplanade Avenue to Tarpon Center Drive to the Venice Yacht Club and return the same route. **NOTE:** Charter authority is also being sought from points on the foregoing routes to points within the State of Florida. Both intrastate and interstate authority sought.

HEARING: Date, time, and place not shown. Requests for procedural information including the time for filing protests concerning this application should be addressed to the Florida Public Service Commission, 700 South Adams Street,

Tallahassee, FL 32304, and should not be directed to the Interstate Commerce Commission.

By the Commission.

[SEAL] ROBERT L. OSWALD,
Secretary.

[FR Doc. 72-2720 Filed 2-23-72; 8:48 am]

[Notice 18]

MOTOR CARRIER TRANSFER PROCEEDINGS

FEBRUARY 15, 1972.

Synopses of orders entered pursuant to section 212(b) of the Interstate Commerce Act, and rules and regulations prescribed thereunder (49 CFR Part 1132), appear below:

As provided in the Commission's special rules of practice any interested person may file a petition seeking reconsideration of the following numbered proceedings within 20 days from the date of publication of this notice. Pursuant to section 17(8) of the Interstate Commerce Act, the filing of such a petition will postpone the effective date of the order in that proceeding pending its disposition. The matters relied upon by petitioners must be specified in their petitions with particularity.

No. MC-FC-73296. By order of February 11, 1972, the Motor Carrier Board approved the transfer to Willamette Valley Transfer Co., a corporation, Portland, Ore., of a portion of the operating rights in certificate No. MC-258 issued November 27, 1964, to Blue Bird Transfer, Inc., Vancouver, Wash., authorizing the transportation of general commodities, with exceptions, between Vancouver, Wash., and Portland, Ore. Earle V. White, 2400 Southwest Fourth Avenue, Portland, OR 97201, attorney for applicants.

No. MC-FC-73385. By order of February 14, 1972, the Motor Carrier Board approved the transfer to California Delivery Service, Los Angeles, Calif., of the operating rights set forth in certificate No. MC-31689, issued July 25, 1967, to LTL Delivery, Joel Mithers, Trustee in Bankruptcy, Los Angeles, Calif., authorizing the transportation of general commodities between Los Angeles, Calif., on the one hand, and, on the other, Los Angeles Harbor and Long Beach, Calif., and chemicals, chemical byproducts, antifreeze liquids, and alcohol, between Anaheim, Calif., on the one hand, and, on the other, Long Beach and Los Angeles Harbor, Calif., and the operating rights set forth in certificate of registration No. MC-31689 (Sub-No. 2), issued July 25, 1967, as corrected, evidencing a right to engage in transportation in interstate commerce corresponding in scope to certificate of public convenience and necessity granted by Decision No. 61235, dated December 20, 1960, as amended by Decision No. 63060 and transferred pursuant to Decision No. 71274, dated September 13, 1966, issued by the Public Utilities Commission of the State of California. Milton W. Flack,

1813 Wilshire Boulevard, Los Angeles, CA 90057, attorney for applicants.

No. MC-FC-73386. By order of February 14, 1972, the Motor Carrier Board approved the transfer to Robert Reeder Trucking, a corporation, Los Angeles, Calif., of certificate of registration No. MC-99578 (Sub-No. 1), issued August 25, 1971, to California Delivery Service, a corporation, Los Angeles, Calif., evidencing a right to engage in transportation in interstate commerce corresponding in scope to certificate of public convenience and necessity granted by Decision No. 51718, dated July 18, 1955, as amended, and transferred by Decisions Nos. 70673 and 78443, dated May 10, 1966, and March 23, 1971, respectively, issued by the Public Utilities Commission of the State of California. Ernest D. Salm, 3846 Evans Street, Los Angeles, CA 90027, representative for transferee, and Milton W. Flack, Suite 400, 1813 Wilshire Boulevard, Los Angeles, CA 90057, attorney for transferor.

No. MC-FC-73410. By order of February 14, 1972, the Motor Carrier Board approved the transfer to V. Van Dyke, doing business as Van Dyke Truck Lines, Seattle, Wash., of the operating rights in certificate No. MC-114730 issued November 15, 1956 to Hall Heavy Hauling Co., a corporation, Eugene, Oreg., authorizing the transportation of various commodities between points in Douglass and Lane Counties, Oreg., on the one hand, and, on the other, specified areas in California. John Ranquet, 817 Arctic Building, Seattle, Wash. 98104, attorney for applicants.

No. MC-73432. By order of February 14, 1972, the Motor Carrier Board approved the transfer to Werlin Corp., Cincinnati, Ohio, of permits Nos. MC-123540 and MC-123540 (Sub-No. 2), issued November 22, 1961, and April 6, 1965, respectively, to Elgin Church, Bethel, Ky., authorizing the transportation of dry fertilizer, in bulk and in bags, from the plantsite of the Armour Agricultural Chemical Co., of St. Bernard, Ohio, to

points in 16 specified Kentucky counties, and fertilizer, from St. Bernard and Cincinnati, Ohio, to points in Indiana, Kentucky, and 12 specified counties in West Virginia. Roland C. Lindsey, 3415 Southside Avenue, Cincinnati, OH 45204, representative for applicants.

No. MC-FC-73473. By order of February 11, 1972, the Motor Carrier Board approved the transfer to Elliott, Inc., Bluefield, W. Va., of the operating rights in certificates Nos. MC-119798 and MC-119798 (Sub-No. 1) issued July 25, 1960, and April 5, 1968, respectively to City Warehouse, Inc., Bluefield, W. Va., authorizing the transportation of various commodities from, to, and between specified points and areas in Virginia and West Virginia. LeRoy Katz, Post Office Box 727, Bluefield, WV 24701, attorney for applicants.

[SEAL]

ROBERT L. OSWALD,
Secretary.

[FR Doc. 72-2533 Filed 2-17-72; 8:51 am]

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PART II



SMALL BUSINESS ADMINISTRATION

■

SMALL BUSINESS INVESTMENT COMPANIES

Title 13—BUSINESS CREDIT AND ASSISTANCE

Chapter I—Small Business Administration

[Amdt. 8, Rev. 4]

PART 107—SMALL BUSINESS INVESTMENT COMPANIES

Miscellaneous Amendments

On December 14, 1971, notice of proposed rule making regarding amendments to the regulations governing small business investment companies (13 CFR Part 107) was published in the FEDERAL REGISTER (36 F.R. 23772) which would amend Appendices 1 and 2 and make certain conforming amendments. After consideration of all such relevant matter as was presented by interested persons, the amendments as so proposed are hereby adopted, subject to the following changes:

A. Paragraph (f)(1) of § 107.1102 *Records and reports* is changed by inserting at the beginning of the paragraph the words "Except as hereinafter otherwise provided" and by inserting after the last sentence of the paragraph the words "SBA may require a program evaluation report in such form as prescribed by SBA from selected Licensees. These selected Licensees will be notified by SBA of their selection and upon filing such special program evaluation reports shall be exempt from filing SBA Form 684 for that period."

INFORMATION: The changes to paragraph (f)(1) of § 107.1102 are made for clarification of the reporting requirement in the event a program evaluation report other than SBA Form 684 is prescribed.

B. Changes in Appendix 1—*Audit and Examination Guide for Small Business Investment Companies* under the main heading *Report of Audit (Financial Examination)*:

1. In the first paragraph of the section headed *General* after the word "operations" add the words "and changes in financial position."

2. In the first paragraph of the section headed *Accountant's Report (Certificate)* after the word "operations" add the words "and changes in financial position."

INFORMATION: Changes 1 and 2 are necessary because of the addition of a "Statement of Changes in Financial Position" to the "Financial Report" SBA Form 468.

3. In the second paragraph of the section headed *Accountant's Report (Certificate)* change the word "Procedure" to the word "Procedural."

INFORMATION: Correction of a typographical error.

4. The first paragraph of the section headed *Internal Control* is changed to read as set forth below.

INFORMATION: Change 4 removes the implication that the auditor is required to express an opinion on the overall effectiveness of the internal control.

5. Delete the last sentence of the section headed *Organization Costs* and in its place add the following sentence "At the first audit, the components of this asset should be disclosed in SBA Form 468 or the footnotes thereto."

INFORMATION: Change 5 places the requirement upon the Licensee to disclose the components of organization expense in SBA Form 468 or the footnotes thereto at the first audit only.

C. Changes in Appendix 2—*Instructions for Preparation of the Financial Report, SBA Form 468*.

1. Item 7 in the section headed *Statement of Changes in Financial Position* delete the words "Explain such transaction in detail" and in its place add the words "Attach explanation sheet."

2. Item 29 in the section headed *Statement of Changes in Financial Position* after the last word add the words "Attach explanation sheet."

INFORMATION: Changes 1 and 2 are self explanatory.

The text of the finalized amendments set forth below, reflects the above changes to the proposed amendments published December 14, 1971.

Effective date. In view of the determination made that it is in the public interest that these amendments be applied promptly to the Small Business Investment Program, they shall become effective on the date of their publication in the FEDERAL REGISTER (2-24-72).

Dated: February 14, 1972.

THOMAS S. KLEPPE,
Administrator.

1. Paragraphs (d)(1) and (2) and (f)(1) of § 107.1102 are amended to read as follows:

§ 107.1102 Records and reports.

(d) Financial reports to SBA:

(1) Each Licensee shall submit to SBA, at the end of each fiscal year a report containing financial statements for the fiscal year; and, when requested by SBA, interim financial reports.

(2) The report as of the end of each fiscal year shall contain, or be accompanied by an independent public accountant's opinion on the financial statements for the fiscal year included therein. Such opinion shall be based on an audit of the accounts of the Licensee conducted in accordance with generally accepted auditing standards, and in accordance with the Audit and Examination Guide for Small Business Investment Companies prescribed by SBA, by an independent certified public accountant or an independent licensed public accountant, certified or licensed by a regulatory authority of a State or other political subdivision of the United States who has been approved by SBA. Effective December 31, 1975, only a certified public accountant may be considered qualified to render an opinion as an independent public accountant on behalf of an SBIC except that those licensed public accountants who have received their licenses on or before December 31, 1971, will also be considered similarly qualified.

(f) Program evaluation reports:

(1) Except as hereinafter otherwise provided the Program Evaluation Report, SBA Form 684, shall be prepared by each Licensee as of March 31 of every calendar year and filed in triplicate with SBA not later than June 30 of such year, to reflect all transactions involving Licensee's debt or equity financing of small business concerns which were outstanding at any time during the preceding 12-month period ending March 31. The report shall be prepared in accordance with Instructions for Preparation of the Program Evaluation Report, SBA Form 684, which are printed in Appendix 3 as part of the regulations of this part. Copies of SBA Form 684 and of the Instructions may be obtained from SBA. SBA may require a program evaluation report in such form as prescribed by SBA from selected Licensees. These selected Licensees will be notified by SBA of their selection and upon filing such special program evaluation reports shall be exempt from filing SBA Form 684 for that period.

2. Paragraphs (a) and (b) of § 107.1104 are amended to read as follows, and paragraph (c) is deleted.

§ 107.1104 Fidelity insurance.

(a) Each Licensee shall maintain a fidelity bond in the form and amount set forth in Addendum I (Fidelity Bond) to SBA's Audit and Examination Guide for Small Business Investment Companies.

(b) The Audit and Examination Guide for Small Business Investment Companies is printed in Appendix 1 as part of the regulations of this part.

(c) [Deleted]

3. Appendices 1 and 2 are revised as set forth below.

APPENDIX 1—AUDIT AND EXAMINATION GUIDE FOR SMALL BUSINESS INVESTMENT COMPANIES

FOREWORD

The Small Business Investment Act of 1958, as amended, expresses the declared policy of the Congress and purpose of the Act to improve and stimulate the national economy, and particularly the small business segment thereof, by establishing a program to stimulate and add to the flow of private equity capital and long-term loan funds which small business concerns need to finance their operations and assist in their growth, expansion, and modernization, and which are not available in the amounts required: "Provided; however, that this policy shall be carried out in such manner as to insure the maximum participation of private financing sources."

The Small Business Administration, in carrying out this policy, requests the cooperation of independent public accountants engaged in the practice of public accounting to participate in their own localities in the audit (financial examination) program for small business investment companies. It is desired that the audits of such companies performed by independent public accountants selected by the individual companies will be conducted with the uniformly high degree of competency which the profession

has so long striven to maintain. Through the efficient, thorough, and economical performance of the audits, the best interests of the Licensee, the Small Business Administration, and the accounting profession will be served.

This Audit and Examination Guide for Small Business Investment Companies was initially prepared by the Small Business Administration with the advice of a committee of independent certified public accountants. It has been revised primarily to take account of amendments of the Small Business Investment Act and of the regulations governing small business investment companies. Any inquiries or comments relating to the examination of financial statements of small business investment companies, or to the auditing and reporting procedure as set forth in this Audit and Examination Guide should be directed to the Staff Accountant, Investment Division, Small Business Administration, 1441 L Street NW., Washington, DC 20416.

GENERAL CONSIDERATIONS

The Small Business Administration, under authority granted by the Small Business Investment Act of 1958, as amended, requires small business investment companies licensed by SBA under the Act to have an audit (financial examination) made of their accounts and records annually by independent public accountants selected or approved by SBA. SBA requires that the engagement cover a "financial examination" type of audit described hereinafter. The annual audit shall be performed as of the close of each Licensee's fiscal year. Three copies of the annual audit report should be submitted to SBA as soon as practicable after completion and no later than the last day of the third month following the close of the period covered by the audit.

Any public accountant, certified or licensed by a regulatory authority of a State or other political subdivision of the United States, who is independent and who is duly authorized to practice as a public accountant, and is in good standing under the laws of the State or other comparable authority in which so authorized, may be considered qualified to render an opinion as an independent public accountant on behalf of an SBIC whose principal office is located in such State or authority. Effective December 31, 1975, only a certified public accountant may be considered qualified to render an opinion as an independent public accountant on behalf of an SBIC except that those licensed public accountants who have received their licenses on or before December 31, 1971, will also be considered similarly qualified.

The Small Business Administration will not recognize any public accountant as independent who is not in fact independent. For example an accountant will be considered not independent with respect to any small business investment company with which he has, or had during the period covered by the audit (financial examination), any direct financial interest or any material indirect financial interest; or with which he is, or was during such period connected as a promoter, underwriter, voting trustee, investment adviser, director, officer, or employee or in the capacity of rendering bookkeeping services. In determining whether an accountant may in fact be not independent with respect to a particular SBIC, SBA will give appropriate consideration to all relevant circumstances, including evidence bearing on all relationships between the accountant and such SBIC or any affiliate thereof, and will not confine itself

to the relationships existing in connection with the filing of reports with this Agency.

The responsibility for the selection of the independent public accountant by the SBIC is vested in the board of directors. Any accountant qualifying as an independent public accountant, as explained above, may be considered as having SBA approval to perform the annual audit (financial examination) upon selection by the board, and the filing with SBA by such accountant of an executed IPA Statement, CO Form 112 (4-70), certifying as to his qualification and independence, unless otherwise advised by SBA. It is strongly recommended that the board give thorough consideration each year to the matter of selecting the public accountant to perform that year's audit. The board under this policy selects an accountant with whom it agrees as to the engagement and basis of compensation. The SBIC then furnishes notification of the board's selection to the Staff Accountant, Investment Division, Small Business Administration, 1441 L Street NW., Washington, DC 20416. Notification to SBA is not necessary when the same accountant or accountants are retained for successive years.

This guide has been prepared, and made a part of the regulations, to inform Licensees under the Small Business Investment Act of 1958, as amended, and independent public accountants engaged by them as to SBA's minimum requirements concerning fidelity bonds, valuation of portfolio assets, and audits (financial examinations) of SBICs. It is not intended to be a complete manual of audit (financial examination) procedure, nor is it intended to supplant the accountant's judgment as to any additional work required to meet generally accepted auditing standards and to render adequate and appropriate reports. Through use of this guide by independent public accountants the Administration expects audits (financial examinations) of uniformly high quality to be made of all small business investment companies licensed by SBA.

The procedures set forth herein apply generally to a type of audit technically termed a "financial examination."

A financial examination is to be made in accordance with generally accepted auditing standards. The auditing procedures employed should include: (1) Review of the system of internal control and of the accounting principles followed; (2) independent sampling (through inspection, correspondence, etc.) to ascertain the existence of assets; (3) application of audit tests to determine that liabilities are reflected in the balance sheet; (4) review and testing of the income and expense accounts; (5) review of the accounting records, with application of appropriate testing procedures, to determine the authenticity and general reliability of the financial statements prepared from the accounts; and (6) such other auditing procedures as the independent public accountant considers necessary in the circumstances.

SBA has prescribed a system of account classifications which is required to be used by licensed small business investment companies. The Agency requires uniform reporting and contemplates that generally accepted auditing standards will be maintained. The attainment of accounting and reporting uniformity and the maintenance of auditing standards will provide reliable information for use by SBIC management and SBA. Accountants engaged by SBICs should become familiar with:

Small Business Investment Act of 1958, as amended.

Regulations governing small business investment companies issued pursuant to the Small Business Investment Act of 1958, as amended.

System of Account Classifications for Small Business Investment Companies (Part 111, SBA Rules and Regulations).
Financial Report, SBA Form 468.

REPORT OF AUDIT (FINANCIAL EXAMINATION)

General

The financial statements referred to in this guide are those constituting the Financial Report, SBA Form 468,¹ and should be prepared on such form. The accountant's examination should be directed toward the expression of an opinion as to whether the statements of (a) financial condition, (b) surplus reconciliations, (c) income and expense, (d) realized gains and losses on investments, and (e) changes in financial position, present fairly the financial position of the SBIC as of the audit date and the results of its operations and changes in financial position for the period then ended in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year. The schedules of SBA Form 468 should be subject to the audit procedures applied in the accountant's examination of the basic financial statements to enable him to express an opinion as to whether these schedules are fairly stated in all material respects in relation to the basic financial statements.

It is contemplated that a long-form audit report shall be rendered including the Financial Report, SBA Form 468 the accountant's opinion thereon and narrative comments relating to significant accounts and matters.

The accountant should, when possible, provide an unqualified opinion. In cases in which he considers it necessary to qualify or disclaim an opinion, the accountant should cite, when applicable the specific loans, investments or other items causing such qualification or disclaimer, and also state the specific factors involved which led to the qualification or disclaimer.

It is expected that all audit adjustments will be recorded in the SBIC's records before completion of the audit report, so that financial statements included in the audit report will agree with the books as adjusted to the balance sheet date, giving consideration to reclassifications of account balances for reporting purposes. If the adjustments are not on the books of the SBIC a statement should be made to this effect.

The accountant's comments should be concise and meaningful. Comments stereotyped as to expression on the basis of previous reports are to be avoided.

The agreement between the SBIC and the accountant with respect to the audit (financial examination) should provide that any information in the accountant's working papers will be made available upon request to the SBIC or to SBA.

Three copies of the audit report, with SBA Form 468, properly executed by the appropriate officers of the SBIC shall be submitted to SBA.

A copy of all adjusting journal entries recommended by the accountant should be attached to the inside of the back cover of each copy of the audit report submitted to SBA. Also attached to the inside of the back cover of each copy of the audit report should be a copy of any transmittal letter, special report, or similar communication furnished to the SBIC.

All SBIC audit reports submitted to SBA should be sent to: Investment Division, Small Business Administration, 1441 L Street NW., Washington, DC 20416.

¹ Filed as part of the original.

Accountant's Report (Certificate)

The accountant's report shall be dated, signed, and shall identify without detailed enumeration the financial statements covered by the report. The accountant's report shall state whether the audit was made in accordance with generally accepted auditing standards; and shall designate any auditing procedures generally recognized as acceptable or deemed necessary by the accountant under the circumstances of the particular case, which have been omitted, and the reasons for their omission. Nothing herein shall be construed to imply authority for the omission of any procedures which independent public accountants would ordinarily employ in the course of an audit made for the purpose of expressing the opinion required as stated hereinafter. The accountant's report shall (a) state clearly the opinion of the accountant as to the fairness with which the financial statements present the financial position of the Licensee at the audit date, the results of its operations and changes in financial position for the period then ended in conformity with generally accepted accounting principles; (b) state whether the supplemental data contained in the schedules of SBA Form 468 have been subjected to the audit procedures applied in the examination of the basic financial statements and whether, in the accountant's opinion, these data are fairly stated in all material respects in relation to the basic financial statements; and (c) make reference to the consistent application of such principles or to any material changes in accounting principles or practices or method of applying the accounting principles or practices, which affect comparability of such financial statements with those of prior and future periods. Any matter to which the accountant takes exception shall be clearly identified, the exception thereto specifically and clearly stated, and, to the extent practicable, the effect of each such exception on the related financial statements given.

The independent public accountant is expected to satisfy himself as to the reasonableness of the bases used by SBIC's Board of Directors in determining the valuation of loans and investments as presented under the pertinent headings of this guide. The independent public accountant should determine and report in the narrative comments of his long-term report, whether the SBIC appears to have followed the valuation techniques and standards set forth in SBA Policy and Procedural Release No. 2006 dated December 31, 1965, in making the valuation. Except insofar as the valuations may affect the carrying values of investments shown on the financial statements, it shall be understood that the accountant's opinion on the financial statements contained in SBA Form 468 does not extend to the valuation of loans and investments given in the memorandum item after the end of the Statement of Financial Condition and in the memorandum columns of the applicable schedules.

Procedure for Reporting Irregularities

To meet its responsibilities SBA requires that the Investment Division be notified immediately in the event any apparent defalcation or other apparent criminal violation is disclosed. The examining accountant should determine that this has been done in every applicable case.

AUDIT OF ACCOUNTS AND REPORT OF AUDIT PROCEDURES AND FINDINGS

The audit (financial examination) referred to herein shall be conducted in accordance with generally accepted auditing standards and therefore shall include such tests of the

accounting records and such other procedures as deemed necessary to enable the independent public accountant to render an opinion on the statements reported upon. Among the procedures to which particular attention should be given are the following:

Internal Control

It is expected that the independent public accountant will review the company's procedures and form an opinion on the effectiveness of the internal control. In determining the extent and nature of the testing and checking of certain accounts consideration should be given to existing internal control. The independent public accountant may if he considers it more appropriate, report on internal control in a supplementary letter report rather than commenting thereon in the general comment section on this report.

Each Licensee is required to establish and maintain effective control arrangements covering its portfolio of investment securities, funds, and equipment. Dual control over disbursements of funds and withdrawals of securities from safekeeping, and the segregation of duties of employees represent key features of such arrangements.

Fidelity Bond

The independent public accountant should check the provisions of the SBIC's fidelity bond against the requirements of SBA as stated in Addendum I of this guide, and should comment in his report regarding the conformity of the bond to such requirements.

Minutes

The accountant should review the minutes, and determine that items of a financial nature have been adequately reflected in the financial statements, schedules and notes thereto. Where, in the accountant's opinion, material actions of the SBIC are not adequately covered by the minutes and items covered in the minutes are not reflected in the financial statements, appropriate disclosure should be made in the accountant's report.

Cash

Cash on hand should be counted. Cash in banks should be reconciled with book balances and confirmed by correspondence. In addition to bank statements at balance sheet date of the audit, the independent public accountant should request and utilize cut-off statements as of a subsequent date to permit determination of the disposition of outstanding checks, deposits in transit, and other reconciling items.

U.S. Government Obligations, Insured Savings, and Time Deposits

Temporary investments made from the company's general cash funds in direct and/or fully guaranteed U.S. Government obligations should be verified by inspection or, when applicable, by confirmation from custodians. Verification should include ascertainment that proper interest coupons are attached to bearer bonds. The recorded cost or, in the case of U.S. bonds, the current redemption value should be verified. The accountant should ascertain that registered bonds are in the name of the SBIC or endorsed so as to be transferable to the company, or are accompanied by powers of attorney.

Temporary investments of the company's general cash funds in savings institutions should be reconciled with book balances and confirmed by correspondence. Time certificates of deposits should be examined to verify the SBIC's ownership of time deposits and to ascertain correctness of the balances per books.

Notes and Accounts Receivable, and Allowance for Uncollectibles

Miscellaneous notes on hand should be examined and the details compared with the company's records. A representative number should be confirmed by correspondence with the makers.

Accounts receivable for services rendered participating companies, for commitment fees, for declared dividends and sharings in income, and for management consulting, investigation, appraisal, and related services rendered, as shown by subsidiary records, should be reconciled to control accounts. The same should be done with respect to receivables representing participating companies' portions of principal and accrued interest receivable from financed small business concerns.

The collectibility of notes and accounts receivable should be considered on the basis of the most reliable information the auditor can obtain. Such amounts due should be discussed with the executive officers of the company. Any contractual delinquency in payments to date should be given due consideration. Items considered uncollectible should be recommended for writeoff, and those of doubtful collectibility should be adequately provided for in the allowance for uncollectible notes and accounts receivable. If considered desirable, an adjusting entry to the allowance account should be recommended by the accountant for adoption by the SBIC. Comments concerning the adequacy of the allowance account should be included in the audit report.

Accrued Interest Receivable and Allowance for Uncollectibles

Determination should be made that interest receivable is currently and correctly accrued on the SBIC's records. This involves interest accrued on U.S. Government obligations, loans to and debt securities of small business concerns, notes receivable, sales contracts, and other interest-bearing amounts due from debtors.

Comments concerning the adequacy of the allowance for uncollectible interest receivable should be included in the audit report.

Due From Directors, Officers, and Employees

Advances made to directors, officers, and employees should be reviewed for proper authorization and recording, and should be commented on if not authorized or has been outstanding more than 6 months.

Funds in Escrow and Other Current Assets

Funds in escrow pending closing of financing for small business concerns should be confirmed. Miscellaneous current assets should be reviewed for authenticity and appropriateness of classification.

Loans, Debt Securities, Loans and Debt Securities, Securities Sold With Recourse, Allowances for Uncollectibles and Losses, and Unearned Discount, Fees, and Other Charges

The independent public accountant should review notes, mortgages, and other obligation documents evidencing loans granted under section 305 of the Small Business Investment Act, as amended, and should confirm directly with the makers the amount of the unpaid balances. Debt securities of small business concerns, purchased by the SBIC under provisions of section 304 of the Act, as amended, should be subjected to a similar review and confirmation. Either type of financing instruments obtained from other SBIC's through purchase or through exchange of portfolio securities should likewise be examined and confirmed with the issuers. All obligation documents should be checked for signing by authorized parties, including proper witnessing and acknowledgment, and

for stated interest rate and term. Loans and debt securities pledged should be confirmed by correspondence with the holders. Determine if securities pledged are subject to SBA earmarking or nonhypothecation requirements and if so, that SBA has furnished written approval.

The System of Account Classifications provides for carrying loans and debt securities at their unpaid principal balances, including any related uncollected discounts, fees, or other charges. In the case of any such financings in which participations are sold to others, only the portion retained by the selling company is shown in the seller's books. Loans and debt securities are to be reported in the Statement of Financial Condition of SBA Form 468 on the same basis as recorded in the accounts.

Determination should be made that mortgages required to be recorded bear proper notation of such recording. The accountant should ascertain from such sources as the loan and debt security ledger cards or sheets, the collateral register, document files, minutes of board of directors' meetings, and statements of executive officers, what collateral documents should be on hand evidencing security for loans and debt securities, and should check for the presence of such collateral documents.

The accountant should inspect each participation agreement under which the company has purchased a participation interest in a loan or debt security, should inspect the documents evidencing such participation and should request confirmation from seller to the extent considered necessary. Similarly, amounts reflected in subsidiary records as participations of others in loans and debt securities of the company under audit should be reviewed in relation to the pertinent participation agreements and confirmed with the purchasers to the extent warranted.

The amounts of loans and debt securities sold with recourse should be checked to the records of such sales and to the advices received from the purchasers as to payments made by the financed small business concerns.

The independent public accountant should review the current financial statements of the concerns which are financed by the SBIC and provide comments when considered significant relative to the financial position of the concern financed. When such financial statements of the concerns are not available the accountant shall so state in his report.

The board of directors of the SBIC has the responsibility of determining in good faith a realistic valuation for each specific loan and debt security, which shall be arrived at after consideration of all pertinent factors. Valuation techniques and standards for guidance of the board are set forth in SBA Policy and Procedural Release No. 2006. The independent public accountant should satisfy himself as to the reasonableness of the bases employed by the board of directors in making determinations of the value of loans and debt securities. No appreciation in value of debt securities is to be recorded in the books of account. The valuations as determined by the board of directors are to be shown in the memorandum column of the applicable schedule of the Financial Report, SBA Form 468.

The accountant should discuss all marginal loans and debt securities with the executive officers of the SBIC. Writeoffs should be recommended in instances in which the unpaid balances of loans and debt securities are considered uncollectible. The allowance for uncollectible loans and the allowance for losses on debt securities should be reviewed as to adequacy and commented upon in the report. If considered desirable, adjusting entries to the allowance accounts

should be recommended by the accountant for adoption by the SBIC.

Special attention should be given by the accountant to verification of all amounts of unearned discount, fees, and other charges shown as deducted from the unpaid balances of loans and debt securities.

Capital Stock of Small Business Concerns; Warrants, Options, and Other Stock Rights Acquired from SBCs; and Allowances for Losses

All capital stock of small business concerns in the possession of the SBIC should be verified by inspection of the stock certificates. Similar capital stock on the books which is not in the possession of the company should be confirmed by direct correspondence with those having possession thereof. Capital stock of small business concerns is to be recorded on the books of the SBIC at cost. In the case of any such financings in which participations are sold to others, only the portion retained by the selling company is shown in the seller's books.

The independent public accountant should review the cost determinations made with respect to warrants, options, or other stock rights carried on the books at a monetary value. Only the selling company's portion of such stock rights is shown in its books when participations in the stock rights are sold to others.

The accountant should inspect the agreement and other documents evidencing each participation purchased, and should request confirmation from sellers to the extent considered necessary. Similarly, amounts reflected in subsidiary records as participations of others in capital stock and warrants, options, or other stock rights acquired by the company under audit should be reviewed in relation to the pertinent participation agreements and confirmed with the purchasers to the extent warranted.

It is the responsibility of the SBIC's board of directors to determine in good faith a realistic valuation for each capital stock investment and for warrants, options, or other stock rights for which a separate cost has been determined. This valuation shall be arrived at after consideration of all pertinent factors. Valuation techniques and standards for guidance of the board are set forth in SBA Policy and Procedural Release No. 2006. The independent public accountant should satisfy himself as to the reasonableness of the bases employed by the board of directors in making the value determinations. No appreciation in the value of capital stock or stock rights investments is to be recorded in the books of account. The valuations of the stock and stock rights as determined by the board of directors are to be shown in the memorandum column of the applicable schedule of the Financial Report, SBA Form 468.

The financial position and earnings of the financed small business concerns are important factors in the board of director's determination of the real value of the stock and stock rights issued by such concerns. The independent public accountants should review the current financial statements of the concerns which are financed by the SBIC and provide comments when considered significant relative to the financial position of the concern financed. When financial statements of the concerns are not available the accountant shall so state in his report. Any material decrease in value of capital stock or stock rights, as determined by the board of directors, that is not obviously of a transitory nature should be compensated for by an increase in the allowance for losses on capital stock of small business concerns, or in the allowance for losses on their warrants, options, and other

stock rights, as appropriate. These allowance accounts should be reviewed as to adequacy by the accountant and commented upon in his report. An adjusting entry to effect any necessary increase should be recommended by the accountant for adoption by the company. Likewise, entries should be recommended to write off any established loss on capital stock of small business concerns or on stock rights of such concerns.

Venture Capital

Under the Small Business Investment Act of 1958, as amended, SBICs are entitled to borrow additional funds from SBA if they have a qualifying amount of combined paid-in capital and paid-in surplus and maintain a minimum percentage of total funds available for investment in small business concerns invested or committed in "venture capital," as defined in § 107.3 of the regulations. The independent public accountant, referring to the official definition of venture capital and reviewing the lending instruments and related documents, should determine that the total amount of venture capital as indicated in the Financial Report, SBA Form 468, is substantially correct.

Assets Acquired in Liquidation of Loans and Debt Securities, Accumulated Depreciation, Mortgages Payable, and Allowance for Losses

These assets may include a wide variety of things of value, as, for example, collateral notes receivable, accounts receivable, judgments, sheriffs' certificates, and various types of real and personal property. Property taken in liquidation should be recorded at an amount determined by the board of directors on the basis of bid-in-price, agreed consideration, or fair appraised value, as deemed most suitable: *Provided*, That the net amount recorded shall not exceed the total amount of the related loan or equity security indebtedness involved. In the case of mortgaged real property acquired in liquidation of loans and debt securities, the property should be recorded at gross value as determined by the board of directors, reduced as necessary to bring the net recorded value within the above-stated limitation. The amount of the existing mortgage or mortgages on such property should be shown as a deduction from the property acquired in liquidation on the asset side of the balance sheet. The accountant should verify each asset through application of procedures generally accepted for audit of the particular class of assets involved. Board authorization for recording these assets at the amounts shown should be ascertained. The amount recorded will correctly represent only the selling company's portion of any such assets in which participants are sold to others.

It is the board of directors' responsibility to determine in good faith a realistic valuation for each security or other item of property comprising assets acquired through liquidation of loans and debt securities. Such valuation shall be arrived at after consideration of all pertinent factors. Valuation techniques and standards for guidance of the board are set forth in SBA Policy and Procedural Release No. 2006. The independent public accountant should satisfy himself as to the reasonableness of the bases employed by the board in determining the values. No appreciation in the original recorded value of assets acquired in liquidation of loans and debt securities is to be recorded in the books of account. The valuations as determined by the board of directors are to be shown in the memorandum column of the applicable schedule of the Financial Report, SBA Form 468.

The accumulated depreciation on assets acquired in liquidation of loans and debt

securities should be reviewed by the accountant to assure that it is not less in amount than a conservative estimate of the expired service life of such property while owned by the SBIC. Insurance coverage should be reviewed.

Such acquired assets should be discussed with the executive officers of the company. Writeoff should be recommended for items considered worthless. The allowance for losses on assets acquired in liquidation of loans and debt securities should be reviewed as to adequacy and commented upon in the report. If considered desirable, adjusting entries to the allowance account should be recommended by the accountant for adoption by the SBIC.

Amounts Due From Debtors on Sale of Assets Acquired in Liquidation of Loans and Debt Securities, Participation by Others, and Allowance for Uncollectibles

Accounts and notes receivable, sales contracts, mortgages, and similar evidences of indebtedness to the SBIC arising from the sale of assets acquired in liquidation of loans and debt securities, as shown by subsidiary records, should be reconciled to the control account. Current and past-due accounts receivable should be confirmed as the independent public accountant may deem appropriate, considering the relative significance of such accounts in the financial statements. The accountant should check all notes, sales contracts, mortgages, and other documents evidencing amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities, and should confirm directly with the makers the unpaid balances of such of these obligations as he considers necessary. Sales contracts and mortgages should be examined to ascertain that such documents required to be recorded bear proper notation of recording.

The collectibility of the amounts due should be estimated on the basis of the most reliable information the auditor can obtain. Such amounts due should be discussed with the executive officers of the company. Any contractual delinquency in payments to date should be given due consideration. Items considered uncollectible should be recommended for write-off, and those of doubtful collectibility should be adequately provided for in the allowance for uncollectible amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities. If considered desirable, an adjusting entry to the allowance account should be recommended by the accountant for adoption by the SBIC. Comments concerning the adequacy of the allowance account should be included in the audit report.

Corporate Premises Owned, Furniture and Equipment, and Accumulated Depreciation

The independent public accountant, during the first audit of the SBIC, should examine the documents showing title to the property owned as corporate premises. It should be ascertained that the land is carried at acquisition cost, plus the cost of subsequent benefit assessments and improvements (other than buildings and improvements related thereto), and that the charging of such additional costs to the land account has been proper. The building owned as a part of the corporate premises should be recorded at acquisition cost plus cost of subsequent improvements thereto. Improvements to leased property used as the company's office quarters should be recorded at cost. The basis for recorded cost should be verified and capital additions should be checked to ascertain that only properly capitalizable items have been added to book cost. Vouchers and invoices covering such additions should be examined. Retirements and sales should be reviewed to

see that all transactions have been properly reflected in the accounts. Insurance coverage should be reviewed.

The accumulated depreciation on the building and related improvements owned as a part of the corporate premises should be reviewed to assure that it is not less in amount than a conservative estimate of the expired service life of such building and improvements. The basis for amortization of leasehold improvements should be examined for appropriateness.

On occasion, an SBIC may be found operating in the same or communicating office or building with a bank or other financial institution. Sometimes both institutions are managed by the same individuals and the same facilities may be used for transacting business. The accountant should satisfy himself that safeguards are maintained which effectively segregate the books, records, and assets of the separate institutions at all times.

The accountant should ascertain that furniture and equipment, including automobiles, are recorded on the books at cost. Documents showing ownership of automobiles by the company should be inspected and invoices for all major additions to furniture and equipment during the audit period should be examined. Sales and trade-ins of furniture and equipment should be tested to determine that they have been appropriately recorded. Insurance coverage should be reviewed.

The accumulated depreciation on furniture and equipment, including automobiles, should be reviewed for adequacy.

The report should contain comments concerning unusual conditions, if any, found with respect to these assets.

Organization Costs

Legal fees, promotional expense, stock certificate costs, incorporation fees, taxes, and other charges which may comprise organization costs on the books should be audited for propriety as capital charges pending amortization or writeoff to the organization expense account. Following the first audit, the review of organization costs will ordinarily be concerned chiefly with a determination and evaluation of the basis for amortization and the consistency with which the planned elimination of this balance sheet item is being accomplished. At the first audit, the components of this asset should be disclosed in SBA Form 468 or the footnotes thereto.

Other

Insurance prepayments, and other prepayments and deferred items should be reviewed. All significant items should be examined for propriety, for applicability to future periods, and for appropriateness of the basis for write-off. Particular note should be taken of any amounts deferred as the result of improper accounting or failure to identify the correct purposes of the charges.

The audit report should contain adequate description of prepayments and deferred charges and should contain comments concerning any large or unusual amounts.

Miscellaneous assets of the company not included under other captions should be shown here. Miscellaneous assets should be reviewed for validity and for propriety of their retention on the books.

Accounts Payable

Accounts payable for participating companies' portions of principal and accrued interest receivable from financed small business concerns, compensation for services rendered on participations purchased, for commitment fees on deferred participations by others, and for other values received, as shown by subsidiary records, should be veri-

fied and reconciled to control accounts. The accruals of compensation payable and commitment fees payable should be reviewed with reference to the related participation agreements. Unusually large amounts and a reasonable proportion of other amounts due on open account should be confirmed by correspondence with the creditors.

Other Current and Accrued Liabilities

Subsidiary records on other current and accrued liabilities, including those for interest, salaries, taxes, dividends, unapplied receipts, trust receipts, amounts due directors, officers, and employees (other than salaries), and other deferred credits, should be checked and reconciled with the control accounts. A certificate, signed by an executive officer of the company, should be obtained stating that all actual liabilities have been entered in the books and that all existing contingent liabilities have been reported to the auditor. The accountant should communicate with the SBIC's attorney to determine the existence of any claims in litigation or pending against the company for the purpose of reporting any contingent liability.

The accountant should (following upon the fact) state in the report that certificates were received from the executive officer and the attorney concerning the recording of actual liabilities and the existence of any claims in litigation or pending against the company.

The report should also present pertinent information concerning unusual current and accrued liabilities. Special attention and comment should be directed to any amounts due directors, officers, and employees, and to any contingent liabilities, including commitments and guarantees.

Funds Borrowed and Other Liabilities

Indebtedness to SBA should be reconciled to the current statements from the Small Business Administration. Direct confirmation from SBA is required and should be requested on the basis of a statement, submitted in triplicate to the Director, Office of Budget and Finance, Small Business Administration, 1441 L Street NW., Washington, DC 20416, showing the unpaid balances of principal and interest at the balance sheet date of the audit. Adequate identification of each obligation, using execution date and SBA loan symbols, should be given.

Debt to others than SBA for funds borrowed likewise should be confirmed by correspondence. Loan agreements, contracts and mortgages, and minutes of board meetings pertaining thereto should be examined in relation to SBA financing and loans from others to determine whether there has been compliance with such of their terms as have direct bearing on the financial position as represented in the audited statements.

The other liabilities and deferred credits should be checked for validity. If these items are material in amount, appropriate comments thereon should be included in the report. Special attention and comment should be directed to any amounts due directors, officers, and employees, and to any contingent liabilities, including commitments and guarantees.

The independent public accountant should ascertain that the appropriate schedule of the Financial Report, SBA Form 468, reflects all commitments, guaranteed obligations, and other contingent liabilities, and that the total of all contingent liabilities is shown as a footnote at the bottom of page 2 of SBA Form 468.

Capital Stock and Surplus

Verification of capital stock should be carried out by examination of the stock records and the stock certificate books, or

by direct confirmation from the registrar and transfer agent, if applicable. Cash records or other records showing the consideration received for capital stock should be reviewed in connection with capital stock transactions during the period. Authorizations of the board of directors and also the charter and bylaws should be referred to. Determination should be made as to the existence of stock options, warrants, rights, conversion privileges, sales of stock on special terms, or reservations of shares of stock for sale to particular groups or for options and other rights. It should also be determined that all such transactions have been appropriately recorded and set forth in the statement of financial condition, notes thereto, or schedules as applicable. The independent public accountant should look for and disclose the existence of any arrearages in the payments on capital stock subscribed or in the payment of dividends on outstanding capital stock. Treasury stock transactions should be analyzed and determination made that appropriate accounting has been effected.

The audit report should contain thoroughly informative comments regarding capital stock transactions during the period.

Changes in the surplus accounts during the period should be reviewed for propriety of the accounting entries effecting the changes. Although all earnings for the year are ultimately transferred to a single retained earnings account, it should be determined that appropriate distinction has been made in classifying items in the Profit and Loss Summary and the Realized Gain and Loss Summary accounts as between (1) income and expense from operations and (2) realized gains and losses on investments. Paid-in surplus debits and credits must also be checked for appropriateness of classification.

Loans and Investments at Market or Fair Value

Review should be made of the valuation of loans and investments. The independent public accountant should determine whether the SBIC has followed the instructions for the memorandum item following the Statement of Financial Condition in SBA Form 468 in making the valuation.

Income and Expense and Gain and Loss Accounts

Appropriate tests should be made of income and expense and gain and loss accounts for the period under review. The test should be sufficient, when combined with information obtained in other phases of the audit, to satisfy the accountant that transactions summarized in these accounts are genuine and have been properly authorized and accurately recorded.

The verification procedures applied to income and expense and gain and loss accounts should be based on the same test-check principles as are applied to the balance sheet accounts. After examining representative transactions for the period or periods he has selected for testing, the accountant should scan the accounts and examine any entries which appear unusual. Special attention should be given to transactions contributing to the recorded gain or loss realized on sale of investments. In this connection, reference should be made to SBA requirements concerning the realization and use of income and gains, as set forth in Addendum II of this guide. A note to financial statements should include information as to the latest year through which Federal income tax returns of the SBIC have been audited by the Internal Revenue Service.

ADDENDUM I—FIDELITY BOND

1. NEED FOR BOND

Each Licensee shall obtain and maintain a fidelity bond which must be executed by a surety holding a certificate of authority from the Secretary of the Treasury pursuant to sections 6-13 of title 6 of the United States Code as an acceptable surety on Federal bonds. Each officer and employee who has control over or access to cash, securities or other property of the Licensee shall be covered by such fidelity bond. The form of bond must meet the provisions of paragraphs 2 through 5 below.

2. TYPE OF BOND

The fidelity bond may be issued on a "Discovery" or "Loss Sustained" basis. Each bond shall contain minimum coverage equivalent to insuring agreements (A) Fidelity, (B) On Premises and (C) In Transit provided in Finance Companies Blanket Bond Standard Form 15 or Stockbrokers Blanket Bond Standard Form 14 both revised to September 1970. It should be clearly understood that eligible fidelity bonds are not restricted to Standard Forms 15 and 14. Equivalent insurance coverage as previously stated, constitutes satisfactory coverage. Insuring Agreements (D) Forgery or Alteration, (E) Securities and (F) Counterfeit Currency, misplacement coverage and Electronic Data Processing Coverage are not required. The bond shall also contain a rider or endorsement providing that the surety will notify SBA of its intent to cancel the fidelity bond at least 30 days in advance of the effective date of the cancellation. At the option of the Licensee a loss deductible clause not to exceed \$1,000 will be permissible under all of the insuring agreements.

A Licensee, including a bank-owned or controlled Licensee, may be covered as a joint insured under a Fidelity Bond if the coverage meets the above requirements.

3. CANCELLATIONS AND CLAIMS BY THE LICENSEE

Each Licensee, at least 30 days prior to making any request to the surety to terminate or cancel such bond, shall notify SBA in writing of its intent to terminate or cancel the bond. Each Licensee shall notify SBA immediately in writing of any claim for loss filed under the bond with the surety. Such notifications to SBA shall be by certified mail addressed to the Deputy Associate Administrator for Investment, Small Business Administration, 1441 L Street NW., Washington, DC 20416.

4. AMOUNTS

The minimum amount of fidelity bond for each Licensee acceptable to SBA shall be based upon the total amount of the assets of the Licensee plus the unpaid balance of loans and investments which the Licensee has contracted to service for others, as follows:

Assets plus loans and investments serviced for others:

	Minimum coverage
Up to \$400,000.....	\$25,000
\$400,001 to \$500,000.....	30,000
\$500,001 to \$750,000.....	40,000
\$750,001 to \$1,000,000.....	50,000
\$1,000,001 to \$2,000,000.....	75,000
\$2,000,001 to \$3,000,000.....	100,000
\$3,000,001 to \$4,000,000.....	125,000
\$4,000,001 to \$5,000,000.....	150,000
\$5,000,001 to \$7,500,000.....	175,000
\$7,500,001 to \$10,000,000.....	200,000
\$10,000,001 and over.....	(1)

¹\$200,000 plus \$10,000 for each \$1 million or fraction thereof over \$10 million, except that no Licensee shall be required to provide and maintain a fidelity bond in an amount greater than \$1 million.

5. BANK CUSTODIAN

Notwithstanding the provisions of paragraph 4 above, if a Licensee's portfolio securities are held by a commercial bank, which is a member of the Federal Deposit Insurance Corporation, as custodian under a custodianship agreement, such commercial bank's fidelity bond may be construed as furnishing the Licensee with adequate surety protection for securities and funds in its custody: *Provided*, That the amount of assets, as defined in paragraph 4, in the possession of the Licensee at any one time, or \$400,000, whichever is greater, is covered by a prescribed fidelity bond.

ADDENDUM II—REALIZATION AND USE OF INCOME AND GAINS

1. PURPOSE

This addendum provides guidance to SBICs for the determination of the realization of operating income and gains on investments and the use of such profits for various corporate purposes.

2. RECOGNITION OF PROFIT

a. *Income from operations.* Licensees may, provided the collection of such income is reasonably assured:

(1) Treat income from dividends and fees as realized when a transaction is effected in the ordinary course of business, and

(2) Treat commitment income and interest income as realized when a transaction is effected, or through the passage of time.

b. *Gains from sales of assets.* Assets here considered include portfolio securities assets acquired in liquidation of loans and debt securities (including successor assets to those originally acquired in such liquidation), and those classified as other assets.

(1) Gain on the sale of assets when the sale represents a final transaction may be recognized as realized gain immediately when received by a Licensee in cash (money, checks, or negotiable money orders), demand certificates of deposit issued by banks which are members of the Federal Deposit Insurance Corporation, and/or negotiable direct obligations of the U.S. Government.

(2) That portion of cash installment payments representing gain may also be recognized as realized gain immediately as such payments are received when the installment feature is all that prevents characterization of the transaction as final.

(3) Any transaction with recourse upon the Licensee or involving any understanding, agreement, option, privilege, or other rights to repurchase by and/or resell to the Licensee shall not be considered a final transaction.

(4) Any reacquisition of the assets by the Licensee, whether or not the result of prior agreement or rights, shall be construed by SBA as a nullification of the finality of the original sale transaction.

(5) Any gain on sale of assets which does not qualify as realized gain in accordance with the foregoing shall be deferred pending such realization.

3. USE OF PROFITS

a. Only profits realized in accordance with the foregoing may be:

(1) Used for obtaining loan funds from SBA,

(2) Used for payment of dividends, or

(3) Treated as realized profits for improvement of bargaining position in mergers.

b. Profits realized as above may be used also for correcting capital impairment. In addition, noncash gain on the sale of assets to a bona fide purchaser, which gain has been deferred, may be recognized by SBA for the purpose of correcting capital impairment. This recognition will not be granted if uncertainty as to the ultimate realization of profit is so great that business prudence,

as well as generally accepted accounting principles, would preclude such recognition of gain. Circumstances such as any of the following would raise a serious question as to the propriety of the current recognition of any gain:

(1) Consideration received in exchange for assets disposed of consists of capital stock having no quoted market value, or other noncash real or personal property which cannot be reasonably evaluated.

(2) Evidence of financial weakness of the purchaser.

(3) Substantial uncertainty as to the amount of costs and expenses to be incurred.

(4) Substantial uncertainty as to the amount of proceeds to be realized because of form of consideration or method of settlement; for example, nonrecourse notes, non-interest-bearing notes, purchaser's stock, and notes with optional settlement provisions, all of interminable value.

(5) Amount and/or time of payment indeterminate, being dependent upon future sales or other action.

(6) Retention of effective control of the asset by the Licensee.

(7) Limitations and restrictions on the purchaser's profit and on development or disposition of the asset.

(8) Simultaneous sale and repurchase by the same or affiliated interest.

(9) Concurrent loan to or other financing of the purchaser.

(10) Small, or no down payment.

(11) Simultaneous sale and leaseback of asset

4. PROCEDURE FOR OBTAINING SBA RECOGNITION OF NONCASH GAIN FOR THE PURPOSE OF CORRECTING CAPITAL IMPAIRMENT

The Licensee should submit to SBA, in triplicate, a summary statement identifying each sale transaction involved, giving the following particulars:

a. Portfolio securities, acquired (or successor) assets, or other assets parted with and their cost less allowance for losses, proceeds obtained, and net gain or loss.

b. Name of purchaser and affiliation (if any) with Licensee.

c. Description and value of consideration received, including terms and collateral (if any) of any debt instruments, and

d. Provisions of any rights or privileges obtained or granted by the Licensee.

5. ACCOUNTING REQUIREMENTS

a. *Income from operations.* Restrictions on the classification of income as realized and procedures to be followed when such amounts are not to be considered as realized are found in the notes to income accounts Nos. 500, 512, 516, 532, in the System of Account Classifications for Small Business Investment Companies (Part 111 of the regulations).

b. *Gains from sales of assets.* (1) Any profit on the sale of assets which does not qualify as realized gain in accordance with section 2.b of this addendum should be credited to account No. 383. Other Deferred Credits, pending such realization.

(2) SBA recognition of noncash gain on sales of assets shall not constitute approval to transfer the amount involved from account No. 383 to the appropriate gain accounts, as such action shall remain dependent on meeting the qualifications in section 2.b of this addendum.

APPENDIX 2—INSTRUCTIONS FOR PREPARATION OF THE FINANCIAL REPORT, SBA FORM 468

GENERAL

There are set forth herein the instructions for preparation of the Financial Report, SBA Form 468, which report is required by Small Business Administration regulations to be filed with SBA by each licensed small business investment company at the end of each

fiscal year, and at such other times as SBA may request. The Financial Report filed by each Licensee shall present fairly the financial position of the Licensee as of the close of the period covered by the report and the results of the Licensee's operations for such period, and shall be prepared in accordance with these instructions. The accounts referred to by account number in these instructions are those prescribed by SBA in the System of Account Classifications for Small Business Investment Companies as set forth in Part 111 of this chapter.

The Financial Report, SBA Form 468, shall be filed in triplicate with the Investment Division, Small Business Administration, 1441 L Street NW., Washington, DC 20416, on or before the last day of the third month following the close of the period covered by the report (in the case of an audited report).

Licensees which are registered investment companies should refer to the rules promulgated by the Securities and Exchange Commission, 500 North Capitol Street, Washington, DC 20549, for the official requirements as to financial reports to be filed with SEC and the time allowed for filing.

The Financial Report, SBA Form 468, requires a statement of financial condition, statement of surplus reconciliations, statement of income and expense, statement of realized gain or loss on investments, statement of changes in financial position and supporting schedules. If any statement or schedule is not applicable, it is still required to be filed but should be marked "N/A" or "Not Applicable."

When the Licensee has a wholly owned subsidiary organized solely for the purpose of rendering management consulting services, financial reports submitted to SBA by the parent Licensee shall reflect consolidated figures covering the activities of both the parent Licensee and its subsidiary corporation.

When the Licensee has one or more branch offices, the data contained in the basic financial statements and all supporting schedules shall comprise a combination of the figures for the principal office and all branches. All money amounts required to be shown in the financial statements and schedules shall be expressed in whole dollars. Appropriate adjustments of individual amounts shall be made for the fractional part of a dollar so that the items will add to the totals shown.

HEADING

Set forth in the appropriate spaces the information called for representing the identification and the principal-office address of the Licensee. As the employer identification number, enter the number assigned to the Licensee by the U.S. Treasury Department. If such number has not yet been assigned, an Application for Employer Identification Number, Form SS-4, shall be submitted to the U.S. Director of Internal Revenue for the area in which the Licensee's principal office is located.

STATEMENT OF FINANCIAL CONDITION

Assets

Items:

1. *Cash.* State the total of the balances contained in accounts Nos. 100 through 120.

2. *U.S. Government obligations, insured savings, and time certificates of deposit.* State the total of the balances contained in accounts Nos. 130 through 137.

3. *Notes receivable.* State the balance contained in account No. 140.

4. *Accounts receivable.* State the balance contained in account No. 150.

(a) *Less: Allowance for uncollectibles* (applicable to items 3 and 4). State the balance contained in account No. 151.

5. *Accrued interest receivable.* State the balance contained in account No. 160.

(a) *Less: Allowance for uncollectibles.* State the balance contained in account No. 161.

6. *Due from directors, officers, and employees.* State the balance contained in account No. 255.

7. *Funds in escrow and other current assets.* State the balance contained in account No. 179 and the current portion of account No. 220.

8. *Total short-term assets.* Enter the total of the appropriate amounts opposite items 1, 2, 4(a), 5(a), 6, and 7.

9. *Loans (section 305).* State the balance contained in account No. 170.

(a) *Less: Amount sold with recourse.* State the balance contained in account No. 310.

(b) *Less: Allowance for uncollectibles.* State the balance contained in account No. 171.

(c) *Less: Unearned discount, fees, etc.* State the balance contained in account No. 173.

10. *Debt securities of SBCs (section 304).* State the total of the balances contained in accounts Nos. 180 and 184.

(a) *Less: Amount sold with recourse.* State the total of the balances contained in accounts Nos. 312 and 314.

(b) *Less: Allowance for losses.* State the balance contained in account No. 185.

(c) *Unearned discount, fees, etc.* State the balance contained in account No. 187.

11. *Capital stock of SBCs (section 304).* State the total of the balances contained in accounts Nos. 190 and 192.

(a) *Less: Allowance for losses.* State the balance contained in account No. 193.

12. *Warrants, options and other stock rights, acquired from SBCs (section 304).* State the balance contained in account No. 196.

(a) *Less: Allowance for losses.* State the balance contained in account No. 197.

13. *Assets acquired in liquidation of loans and debt securities.* State the balance contained in account No. 200.

(a) *Less: Accumulated depreciation.* State the balance contained in account No. 203.

(b) *Less: Mortgages payable.* State the balance contained in account No. 318.

(c) *Less: Allowance for losses.* State the balance contained in account No. 201.

14. *Amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities.* State the balance contained in account No. 210.

(a) *Less: Allowance for uncollectibles.* State the balance contained in account No. 211.

15. *Total loans and investments.* Enter the total of the appropriate amounts opposite items 9(c), 10(c), 11(a), 12(a), 13(c), and 14(a).

16. *Corporate premises owned and furniture and equipment.* State the total of the balances contained in accounts Nos. 230, 240, and 242.

(a) *Less: Accumulated depreciation.* State the total of the balances contained in accounts Nos. 231 and 241.

17. *Organization costs.* State the balance contained in account No. 256.

18. *Other.* State the total of the balances contained in accounts Nos. 140, 220 (noncurrent portions), and 257.

19. *Total other assets.* Enter the total of the appropriate amounts opposite items 16(a), 17, and 18.

20. *Total.* Enter the total of items 8, 15, and 19.

Liabilities, Capital Stock, and Surplus

21. *Accounts payable.* State the balance contained in account No. 340.

22. *Accrued interest payable.* State the balance contained in account No. 350.

23. *Accrued taxes on income.* State the total of the balances contained in accounts Nos. 354.1, 354.2, etc.

24. *Other accrued expenses.* State the balance contained in account No. 358.

25. *Dividends payable.* State the total of the balances contained in accounts Nos. 360 through 364.

26. *Employee taxes withheld.* State the balance contained in account No. 370.

27. *Unapplied receipts and trust receipts.* State the total of the balances contained in accounts Nos. 374 and 378.

28. *Other.* State the total of the balances contained in accounts Nos. 320, 381, and 383 (portions applicable).

29. *Total short-term liabilities.* Enter the total of items 21 through 28.

30. *Notes payable to SBA.* State the balance contained in account No. 300.

31. *Notes payable to other than SBA, guaranteed by SBA.* State the balance contained in account No. 315.

32. *Notes payable to other than SBA, not guaranteed by SBA.* State the balance contained in account No. 316.

33. *Mortgages payable for funds borrowed.* State the balance contained in account No. 317.

34. *Other.* State the total of the balances contained in accounts Nos. 320, 381, and 383 (portions applicable).

35. *Debentures payable issued to SBA.* State the balance contained in account No. 301.

36. *Total liabilities.* Enter the total of the appropriate amounts opposite items 29, 30, 33, 34, and 35.

37. *Capital stock.* State the total of the balances contained in accounts Nos. 400 through 404 minus the balances contained in accounts Nos. 405 through 409.

38. *Paid-in surplus.* State the balance contained in account No. 420.

39. *Less: ----- shares of treasury stock at cost.* State the total of the balances contained in accounts Nos. 415 through 419.

40. *Total.* Enter the total of items 37 and 38 minus item 39.

41. *Capital stock subscribed.* State the total of the balances contained in accounts Nos. 410 and 411.

(a) *Less: Subscriptions receivable.* State the total of the balances contained in accounts Nos. 413 and 414.

42. *Total stockholders' paid-in capital and paid-in surplus.* Enter the total of the appropriate amounts opposite items 40 and 41(a).

43. *Retained earnings.* State the balance contained in the account No. 425.

44. *Appropriated retained earnings.* State the balance contained in account No. 427.

45. *Total capital stock and surplus.* Enter the total of the appropriate amounts opposite items 42 and 44.

46. *Total.* Enter the total of items 36 and 45.

Memorandum footnote. Show in the space provided the market or fair value of loans and investments (shown at cost less allowance for losses in item 15 of the Statement of Financial Condition). In determining the market or fair value of portfolio securities (including securities which may be readily acquired through exercise of rights), securities for which market quotations are readily available shall be valued at the market bid price, provided the securities are registered, or readily registrable, and salable, and further provided that, in the opinion of the board of directors, the bid price could be realized on immediate liquidation of the investment.

Securities other than those referred to above shall be at cost less allowance for probable losses unless, because of steady progress in the affairs of the portfolio com-

pany, an increase above cost to the small business investment company is clearly indicated in the SBIC's equity in the book value of the portfolio company's securities as shown on the portfolio company's books. In the latter case the securities may be valued at fair value as determined in good faith by the board of directors.

The value of loans and investments determined in accordance with the foregoing shall be reduced for purposes of this report by the amount of what would be an appropriate provision for taxes in respect of the unrealized appreciation included in the determined value.

In column (10) of Schedules 1 through 4, and column (8) of Schedule 7, identify with an asterisk each security which was valued above cost in arriving at the amount shown as market or fair value of loans and investments.

Footnote on contingent liabilities. Complete the footnote on page 2, at the end of the Statement of Financial Condition, which indicates the total amount of all contingent liabilities of the company. This amount shall be the same as the grand total of Schedule 12 of the report.

STATEMENT OF SURPLUS RECONCILIATIONS

Set forth in this statement all activities in accounts for paid-in surplus, retained earnings, and appropriated retained earnings during the fiscal year to date, showing opening balances, additions and deductions, and balances at close of the period. State separately the various additions and deductions, describing clearly the nature of the transactions out of which the items arose. Net income or loss from page 3 should be labeled "from net income, or (loss)" and realized gain or loss on investments from page 4 should be labeled "from net realized gain or (loss) on investments."

STATEMENT OF INCOME AND EXPENSE FOR THE FISCAL YEAR TO DATE

Item	Income
1. <i>Commitment income.</i> State the balance contained in account No. 500.	
2. <i>Interest on loans.</i> State the balance contained in account No. 512.	
3. <i>Interest on debt securities.</i> State the balance contained in account No. 516.	
4. <i>Interest on invested idle funds.</i> State the balance contained in account No. 510.	
5. <i>Interest income—other.</i> State the balance contained in account No. 520.	
6. <i>Management consulting service fees.</i> State the balance contained in account No. 532.	
7. <i>Investigation and service fees charged other lenders.</i> State the balance contained in account No. 534.	
8. <i>Application and appraisal fees.</i> State the balance contained in account No. 536.	
9. <i>Dividends on capital stock of SBCs.</i> State the balance contained in account No. 540.	
10. <i>Sharings in income or revenue of SBCs.</i> State the balance contained in account No. 541.	
11. <i>Income less expense of \$----- from assets acquired in liquidation of loans and debt securities.</i> State the balance in account No. 582 minus the balance in account No. 710. Show the balance contained in account No. 710 as a separate item in the space provided for the expense.	
12. <i>Other income.</i> State the balance contained in account No. 584.	
13. <i>Total income.</i> Enter the total of the appropriate amounts opposite items 1, 5, 8, 10, and 12.	

Expenses

14. *Commitment expense.* State the balance contained in account No. 600.

15. *Interest on obligations payable to SBA.* State the balance contained in account No. 610.

16. *Interest on obligations payable to other than SBA.* State the balance contained in account No. 622.

17. *Stock record and other financial expenses.* State the balance contained in account No. 642.

18. *Total financial expenses.* Enter the total of items 14 through 17.

19. *Advertising and promotional costs.* State the balance contained in account No. 650.

20. *Appraisal and investigation costs.* State the balance contained in account No. 651.

21. *Auditing and examination costs.* State the balance contained in account No. 652.

22. *Communications.* State the balance contained in account No. 653.

23. *Cost of space occupied.* State the balance contained in account No. 654.

24. *Depreciation of corporate premises owned, furniture, and equipment.* State the balance contained in account No. 655.

25. *Directors' and stockholders' meetings costs.* State the balance contained in account No. 657.

26. *Insurance.* State the balance contained in account No. 658.

27. *Investment adviser costs.* State the balance contained in account No. 660.

28. *Legal services.* State the balance contained in account No. 661.

29. *Salaries of officers.* State the balance contained in account No. 663.1.

30. *Salaries of employees.* State the balance contained in account No. 663.2.

31. *Taxes, excluding income taxes.* State the balance contained in account No. 664.

32. *Travel.* State the balance contained in account No. 665.

33. *Employee benefits expense.* State the balance contained in account No. 670.

34. *Organization expense.* State the balance contained in account No. 672.

35. *Miscellaneous operating expenses.* State the balance contained in account No. 679.

36. through 39. (For unclassified items.)

40. *Total operating expenses.* Enter the total of items 19 through 39.

41. *Other expenses.* State the balance contained in account No. 715.

42. *Total expenses.* Enter the total of items 18, 40 and 41.

43. *Net operating income before provision for probable losses and income taxes.* Enter the balance resulting from the deduction of item 42 from item 13.

44. *Provision for probable losses on receivables.* State the balance contained in account No. 680.

45. *Provision for probable losses on portfolio securities.* State the balance contained in account No. 682.

46. *Provision for probable losses on assets acquired in liquidation of loans and debt securities.* State the balance contained in account No. 684.

47. *Provision for probable losses on amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities.* State the balance contained in account No. 686.

48. *Net operating income before provision for income taxes.* Enter the balance resulting from the deduction of the appropriate amount opposite item 47 from item 43.

49. *Provision for Federal income taxes—Net income.* State the balance contained in account No. 720.1.

50. *Provision for State and other income taxes.* State the balance contained in account No. 720.2.

51. *Net income (loss) from operations.* Enter the balance resulting from the deduction of the appropriate amount opposite item 50 from item 48.

NOTE: The Statement of Income and Expense provides only for income and expenses from operations.

Extraordinary Income or Loss from transactions not in the ordinary course of operations shall be credited directly to retained earnings.

STATEMENT OF REALIZED GAIN OR LOSS ON INVESTMENTS

1. *U.S. Government securities.* Show the aggregate cost, aggregate net proceeds, and net gain or net loss on the sale or other disposition of U.S. Government obligations, direct and fully guaranteed.

2. *Debt securities of SBCs.* Show the aggregate cost less allowance for losses, aggregate net proceeds, and net gain or loss on the sale or other disposition of debt securities of small business concerns.

3. *Capital stock of SBCs.* Show the aggregate cost less allowance for losses, aggregate net proceeds, and net gain or loss on the sale or other disposition of capital stock of small business concerns.

4. *Warrants, options, and other stock rights acquired from SBCs.* Show the aggregate cost less allowance for losses, aggregate net proceeds, and net gain or loss on the sale or other disposition of warrants, options, and other stock rights acquired by the company from small business concerns.

5. *Assets acquired in liquidation of loans and debt securities.* Show the aggregate cost less allowance for losses and mortgages payable, aggregate net proceeds, and net gain or loss on the sale or other disposition of assets acquired in liquidation of loans and debt securities of small business concerns. The aggregate cost shown for this item shall be the same as that recorded in the books of account on the basis determined by the board of directors from among (1) bid-in price of the property, (2) agreed consideration for the property, and (3) fair appraised value of the property, but not to exceed the total amount of the related loan or debt security involved.

6. *Other.* Show the aggregate cost less allowance for losses, aggregate net proceeds, and net gain or loss on the sale or other disposition of any investments not included in items 1 through 5.

7. *Net gain and/or loss on investments.* Enter the net total of items 1 through 6.

8. *Combined net gain (loss) on investments.* Enter the balance resulting from the deduction of item 7, column (5) from item 7, column (4).

9. *Add realized gain for current year from prior sales of investments (deferred credits).* State the amount of deferred gain of prior years transferred to gain accounts in the current year.

10. *Less portion of gain not realized in cash, demand certificates of deposit issued by FDIC-member banks, and/or negotiable direct obligations of the U.S. Government.* State the amount of the above gain represented by proceeds other than cash, demand certificates of deposit issued by FDIC-member banks, and/or negotiable direct obligations of the U.S. Government.

11. *Net realized gain (loss) on investments before provision for income taxes.* Enter the balance resulting from the addition of item 9 and deduction of item 10 from item 8.

12. *Federal income taxes—Net realized gain on investments.* State the amount of estimated Federal income taxes applicable to net realized gain on investments for the fiscal year to date.

13. *State and other income taxes—Net realized gain on investments.* Show the amount of estimated State and other non-Federal income taxes applicable to net realized gain on investments for the fiscal year to date.

14. *Total provision for income taxes.* Enter the total of items 12 and 13.

15. *Net realized gain (loss) on investments.* Enter the balance resulting from the deduction of item 14 from item 11.

NOTE: Describe the transactions in this statement in accordance with the instructions set forth in the note at bottom of the form.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Part 1—Source of Funds

Item

1. *Net income (loss) from operations.* Enter the amount of item 51 shown in the Statement of Income and Expense.

2. *Net realized gain (loss) on investments.* Enter the amount of item 15 shown on the Statement of Realized Gain or Loss on Investments (page 4 of SBA Form 468).

3. *Total net income.* Enter the total of items 1 and 2.

4. *Provision for probable losses.* Enter the total amount of items 45, 46, and 47 shown in the Statement of Income and Expense. (Excludes item 44—Provision for Probable Losses on Receivables.)

5. *Depreciation and amortization.* Enter the amount of item 24 and any other amounts of depreciation or amortization contained in the Statement of Income and Expense.

6. *Total funds provided by net income.* Enter the total of items 3, 4, and 5 of this statement.

7. *Extraordinary income.* Enter amount of income from transactions not in the ordinary course of operations. Attach explanation sheet.

8. *From repayments and sales of loans.* Enter the total of column 7 (cash deductions) of Schedule 1.

9. *From repayments and sales of debt securities.* Enter the total of column 7 (cash deductions) of Schedule 2.

10. *From repayments and sales of capital stock.* Enter the total of column 7 (cash deductions) of Schedule 3.

11. *From repayments and sales of warrants, options and other stock rights.* Enter the total of column 7 (cash deductions) of Schedule 4.

12. *From repayments and sales of assets acquired in liquidation and amounts due from debtors on sale of assets acquired in liquidation.* Enter the total principal reduction for the period resulting from repayments and sales.

13. *From sale of licensees capital stock.* Enter the capital stock increase for the period resulting from sales for cash and capital stock subscriptions paid for in cash.

14. *Paid-in surplus.* Enter the increase for the period resulting from cash donations.

15. *Funds borrowed from SBA.* Enter the amount borrowed during the period.

16. *Funds borrowed from banks.* Enter the amount borrowed during the period. Do not include any borrowings reflected in Short-Term Liabilities—Items numbered 21 through 28 in SBA Form 468 Page 2.

17. *Other funds borrowed.* Identify and enter the amount borrowed during the period on mortgages and other long term borrowings not accounted for elsewhere.

18. *Total source of funds.* Enter the total of items 6 through 17.

19. *Funds disbursed for loans.* Enter the total of column 5 (cash additions) of Schedule 1.

20. *Funds disbursed for debt securities.* Enter the total of column 5 (cash additions) of Schedule 2.

21. *Funds disbursed for capital stock of SBCs.* Enter the total of column 5 (cash additions) of Schedule 3.

22. *Funds disbursed for warrants, options and other stock rights.* Enter the total of column 5 (cash additions) of Schedule 4.

23. *Funds disbursed for other asset acquisitions.* Identify and enter the total increase in other asset acquisitions for the period involving cash transactions.

24. *Repayment of borrowed funds to SBA.* Enter the total principal paid during the period.

25. *Repayment of borrowed funds to banks.* Enter the total principal paid during the period.

26. *Repayment of borrowed funds to others.* Enter the total principal paid during the period on mortgages and other long-term debts.

27. *Funds disbursed for redemption of licensee's stock.* Enter the total paid during the period.

28. *Payment of dividends.* Enter the total paid for dividends during the period.

29. *Extraordinary expenses.* Identify and enter the amount of expenses paid from transactions not in the ordinary course of operations. Attach explanation sheet.

30. *Total disposition of funds.* Enter the total of items 19 through 29.

31. *Net increase or (decrease) in funds available.* Enter the difference between item 18 and item 30.

32. *Funds available—At beginning of period.* Enter the total short-term assets (SBA Form 468, Page 1, Item No. 8) for the immediate prior year less total Short-Term Liabilities (SBA Form 468 Page 2 Item No. 29) for the same date.

33. *Funds available—At end of period.* Enter the total of items 31 and 32.

Part 2—Changes in Financial Position From Noncash Transaction

Transactions not involving an outlay of cash contained in Balance Sheet Items numbered 9 through 46 on pages 1 and 2 of SBA Form 468 must be fully described in general journal entry form indicating the classification of accounts affected and the dollar amounts recorded.

SCHEDULE 1—LOANS (SECTION 305)

The items to be listed in this schedule shall include all loans held, made, or otherwise obtained, or disposed of by the company during the fiscal year to date setting forth the pertinent data indicated by the column heading. The reporting company's portion of participation in loans shall be included.

List each loan by employer identification number; owner group code number designating the group classification of the principal ownership of the small business concern as follows: (0) Negroes; (1) Puerto Ricans; (2) American Indians; (3) Spanish Americans; (4) Asians (Japanese, Chinese, Koreans, Filipinos); (5) Eskimos and Aleuts; (6) Undetermined and (7) Others—including whites; financing number; interest rate; Standard Industrial Classification code; name of financed small business concern, together with street address, city, State, zip code, and county in which located; date and maturity date; principal balance at beginning of period; cash additions during period; noncash additions during period (include refinancing); cash deductions during period; noncash deductions during period; and principal balance at close of period. The total in column (9) shall agree with item 9 of the Statement of Financial Condition.

Show in column (10) the market value, or fair value as determined by the board of directors, of each loan which is determined to be worth less than the cost amount shown for it in column (9) minus any allowance for losses established for it. Any loan for which an allowance for losses has been established shall not be listed in column (10) at

any value higher than cost less such allowance.

An explanatory notation or footnote shall be entered in the schedule with respect to any loan (or any interest therein) obtained from another Licensee.

Treat multiple disbursements under the same financing agreement as a single financing. Show the total of all loan financing on the last sheet of this schedule.

In column (1) enter the employer identification number of each listed small business concern; if a concern does not have such number, it should obtain one by filing Form SS-4 with the U.S. Director of Internal Revenue for the area in which the concern is located. Insert the appropriate owner group code number, in parentheses, following the employer identification number of each small business concern.

Enter for each listed small business concern the four-digit Standard Industrial Classification Code of the principal industry in which the concern is engaged; refer to the SIC Manual issued by the Bureau of the Budget.

If the Licensee has had more than one financing in the same category outstanding to the same small business concern (cumulative beginning with March 31, 1966, outstanding balances), each such similar financing should be assigned a financing number (1-2-3, etc.) for identification purposes, and this number should be shown in the applicable column on this report and on future reports in relation to the same financing. A number once assigned to a specific financing of a small business concern should never be reassigned to another financing in the same category to the same concern.

In column (9) identify each item "pledged" or "earmarked" by letter (P) or letter (E), as appropriate. Also, identify by the letter (V) each item qualifying under the regulations as venture capital and by the letters (SP) each item qualifying under the regulations as special discretionary portfolio. Show the total of all venture capital amounts on the last sheet of this schedule immediately under the "Totals" line at the foot of column (9). Show the total of all special discretionary portfolio amounts on the last sheet of this schedule immediately under the "Total venture capital".

SCHEDULE 2—DEBT SECURITIES (SECTION 304, (§ 107.302 (B) (2) OF REGULATIONS)

The items to be listed shall include all debt securities held, acquired, converted, or disposed of during the fiscal year to date, setting forth the pertinent data indicated by the column headings. The reporting company's portion of participation in debt securities shall be included.

List each debt security by employer identification number; owner group code number designating the group classification of the principal ownership of the small business concern as follows: (0) Negroes; (1) Puerto Ricans; (2) American Indians; (3) Spanish Americans; (4) Asians (Japanese, Chinese, Koreans, Filipinos); (5) Eskimos and Aleuts; (6) Undetermined and (7) Others—including whites; financing number; interest rate; Standard Industrial Classification code; name of financed small business concern, together with street address, city, State, zip code, and county in which located; date and maturity date; principal balance at beginning of period; cash additions during period; noncash other additions during period; cash deductions during period; noncash deduction during period; and principal balance at close of period. The total in column (9) shall agree with Item 10 of the Statement of Financial Condition.

Show in column (10) the market value, or fair value as determined by the board of di-

rectors, of each debt security which is determined to be worth more than the cost amount shown for it in column (9) and each debt security which is determined to be worth less than the cost amount shown for it in column (9), minus any allowance for losses established for it. Any debt security for which an allowance for losses has been established shall not be listed in column (10) at any value higher than cost less such allowance.

Show in column (11) opposite each debt security financing the percentage of the financed small business concern's voting securities which has been and/or can be obtained by the Licensee through exercise of conversion privileges and/or stock purchase warrants or options received in connection with the specific financing. This percentage shall be computed without giving consideration to the possibility of simultaneous exercise of stock rights by other investment interests. Wherever a Licensee considers it important to disclose that its percentage of actual and potential ownership is affected by the probable action of others in exercising their stock rights, a footnote should be appended to the percentage figure arrived at by consideration of only the Licensee's action. In such footnote the percentage of actual and potential ownership giving consideration to the probable action of others should be set forth, together with an explanation including the names of the other investors who are likely to exercise their rights, the percentages of actual and potential ownership they hold, and the general terms of their stock rights.

An explanatory notation or footnote shall be entered in the schedule with respect to any debt security (or any interest therein) obtained from another Licensee.

Treat multiple disbursements under the same financing agreement as a single financing. Show the total of all debt security financing on the last sheet of this schedule.

In column (1) enter the employer identification number of each listed small business concern; if a concern does not have such number, it should obtain one by filing Form SS-4 with the U.S. Director of Internal Revenue for the area in which the concern is located.

Insert the appropriate owner group code number, in parentheses, following the employer identification number of each small business concern.

Enter for each listed small business concern the four-digit Standard Industrial Classification Code of the principal industry in which the concern is engaged; refer to the SIC Manual issued by the Bureau of the Budget.

If the Licensee has had more than one financing in the same category outstanding to the same small business concern (cumulative beginning with March 31, 1966, outstanding balances), each such similar financing should be assigned a financing number (1-2-3, etc.) for identification purposes, and this number should be shown in the applicable column on this report and on future reports in relation to the same financing. A number once assigned to a specific financing of a small business concern should never be reassigned to another financing in the same category to the same concern.

In column (9) identify each item "pledged" or "earmarked" by letter (P) or letter (E), as appropriate. Also, identify by the letter (V) each item qualifying under the regulations as venture capital and by the letters (SP) each item qualifying under the regulations as special discretionary portfolio. Show the total of all venture capital amounts on the last sheet of this schedule immediately under the "Totals" line at the foot of column (9). Show the total of all special discretionary portfolio amounts on the last

sheet of this schedule immediately under the "Total venture capital".

SCHEDULE 3—CAPITAL STOCK OF SBC'S

Furnish in this schedule a summary of all capital stock of small business concerns setting forth the pertinent data indicated by the column headings. The items to be listed shall include all capital stock of small business concerns held, acquired, converted, or disposed of during the fiscal year to date setting forth the pertinent data indicated by the column headings. The reporting company's portion of participation in investments shall be included.

List each investment by employer identification number; Owner Group Code number; financing number; Standard Industrial Classification code; name of financed small business concern, together with street address, city, State, zip code, and county in which located; date acquired, type and class, number of shares, etc.; balance at cost at beginning of period; cash additions during period; noncash additions during period at cost; cash deductions during period; noncash deductions during period at cost; and balance at cost at close of period.

The total in column (9) for capital stock of SBCs shall agree with Item 11 of the Statement of Financial Condition.

Show in column (10) the market value, or fair value as determined by the board of directors, of each investment which is determined to be worth more than the cost amount shown for it in column (9) and each investment which is determined to be worth less than the cost amount shown for it in column (9), minus any allowance for losses established for it. Any investment for which an allowance for losses has been established shall not be listed in column (10) at any value higher than cost less such allowance. Show in column (11) the percentage of ownership in the small business concern.

An explanatory notation or footnote shall be entered in the schedule with respect to any investment (or any interest therein) obtained from another Licensee.

Treat multiple disbursements under the same financing agreement as a single financing. Show the total of all capital stock on the last sheet of this schedule.

In column (1) enter the employer identification number of each listed small business concern; if a concern does not have such number, it should obtain one by filing Form SS-4 with the U.S. Director of Internal Revenue for the area in which the concern is located. Enter the appropriate Owner Group Code number in parentheses.

Enter for each listed small business concern the four-digit Standard Industrial Classification Code of the principal industry in which the concern is engaged; refer to the SIC Manual issued by the Bureau of the Budget.

If the Licensee has had more than one financing in the same category outstanding to the same small business concern (cumulative beginning with March 31, 1966, outstanding balances), each such similar financing should be assigned a financing number (1-2-3, etc.) for identification purposes, and this number should be shown in the applicable column on this report and on future reports in relation to the same financing. A number once assigned to a specific financing of a small business concern should never be reassigned to another financing in the same category to the same concern.

In column (9) identify each item "pledged" or "earmarked" by letter (P) or letter (E), as appropriate. Also, identify by the letter (V) each item qualifying under the regulations as venture capital and by the letters (SP) each item qualifying under the regulations as special discretionary portfolio. Show the total of all venture capital amounts

immediately under the "Totals" line at the foot of column (9) on the last sheet of this schedule. Show the total of all special discretionary portfolio amounts on the last sheet of this schedule immediately under the "Total venture capital".

SCHEDULE 4—WARRANTS, OPTIONS AND OTHER STOCK RIGHTS ACQUIRED FROM SBCS

The items to be listed shall include all warrants, options and other stock rights acquired from SBCs (for which a cost has been determined separate from that of the financing instruments which they accompanied and/or for which there exists a market value, or a fair value as determined by the board of directors) which were held, obtained, surrendered, expired or sold during such period setting forth the pertinent data indicated by the column headings. If no separate cost, market value, or fair value has been determined, the warrants, options and other stock rights shall be listed with no value assigned. The reporting company's portion of participation in investments shall be included.

List each investment by employer identification number; Owner Group Code number; financing number; Standard Industrial Classification code; name of financed small business concern, together with street address, city, State, zip code, and county in which located; date acquired, type and class, etc.; balance at cost at beginning of period; cash additions during period; noncash additions during period at cost; cash deductions during period at cost; and balance at cost at close of period.

The total in column (9) shall agree with Item 12 of the Statement of Financial Condition. Show in column (10) the market value, or fair value as determined by the board of directors, of each investment which is determined to be worth more than the cost amount shown for it in column (9) and each investment which is determined to be worth less than the cost amount shown for it in column (9), minus any allowance for losses established for it. Any investment for which an allowance for losses has been established shall not be listed in column (10) at any value higher than cost less such allowance.

Show in column (11) opposite each financing item the percentage of the financed small business concern's voting securities which has been and/or can be obtained by the Licensee through exercise of conversion privileges and/or stock purchase warrants or options received in connection with the specific financing, or which is represented by the financing item itself. This percentage shall be computed without giving consideration to the possibility of simultaneous exercise of stock rights by other investment interests. Whenever a Licensee considers it important to disclose that its percentage of actual and potential ownership is affected by the probable action of others in exercising their stock rights, a footnote should be appended to the percentage figure arrived at by consideration of only the Licensee's action. In such footnote the percentage of actual and potential ownership giving consideration to the probable action of others should be set forth, together with an explanation including the names of the other investors who are likely to exercise their rights, the percentages of actual and potential ownership they hold, and the general terms of their stock rights.

An explanatory notation or footnote shall be entered in the schedule with respect to any investment (or any interest therein) obtained from another Licensee.

Treat multiple disbursements under the same financing agreement as a single financing. Show the total of all, warrants, options,

and other stock rights financing on the last sheet of this schedule.

In column (1) enter the employer identification number of each listed small business concern; if a concern does not have such number, it should obtain one by filing Form SS-4 with the U.S. Director of Internal Revenue for the area in which the concern is located.

Insert the appropriate owner group code number, in parentheses, following the employee identification number of each small business concern. In column enter for each listed small business concern the four-digit Standard Industrial Classification Code of the principal industry in which the concern is engaged; refer to the SIC Manual issued by the Bureau of the Budget.

If the Licensee has had more than one financing in the same category outstanding to the same small business concern (cumulative beginning with March 31, 1966, outstanding balances), each such similar financing should be assigned a financing number (1-2-3, etc.) for identification purposes, and this number should be shown in the applicable column on this report and on future reports in relation to the same financing. A number once assigned to a specific financing of a small business concern should never be reassigned to another financing in the same category to the same concern.

(d) In column (12) identify each item "pledged" or "earmarked" by letter (P) or letter (E), as appropriate. Also, identify by the letter (V) each item qualifying under the regulations as venture capital and by the letters (SP) each item qualifying under the regulations special discretionary portfolio. Show the total of all venture capital amounts immediately under the "Totals" line at the foot of column (9). Show the total of all special discretionary portfolio amounts on the last sheet of this schedule immediately under the "Total venture capital."

SCHEDULE 5—DETAILS OF CERTAIN LOANS (SECTION 305) AND INVESTMENTS (SECTION 305) LISTED IN SCHEDULES 1 THROUGH 4

Enter in this schedule all loans and debt securities shown in Schedules 1 and 2 and all investments shown in Schedules 3 and 4 concerning which any one or more of the following conditions exist:

1. New or additional financing has been furnished during the fiscal year to date, as shown in column (5) and (6) of Schedules 1 through 4.
2. The terms of existing financing have been amended and/or the related collateral has been changed during the fiscal year to date.
3. Any rescheduling, refinancing, or refunding of principal and/or the interest has occurred, or conversion of a delinquent item has taken place, during the fiscal year to date. (Full details on such events are to be furnished in column (6) or on an attached sheet.)

5. There is an outstanding SBA loan, SBA guarantee or a bank loan or other private loan, or SBA participation in such a private loan to the Licensee's portfolio concern.

List the items by employer identification number in column (1) and identify them by name of small business concern, type of financing, and financing number in columns (2), (3), and (4). In column (5) show the original principal amount or other cost. Details of the amortization plan and other significant provisions of the financing instruments, including a precise description of capital stock of SBCs, shall be set forth in column (6). The outstanding balance of any SBA direct loan, SBA participation loan, or SBA guaranteed loan to the Licensee's portfolio concern is to be shown

in column (7). The Licensee is requested to obtain this information from the portfolio small business concern, if it is not already available in the Licensee's office. The value and description of collateral are to be set forth in column (8). Information as to the portion of such collateral assigned as security for the financing granted by the Licensee is required to be presented in column (8).

If any loans or debt securities earmarked or pledged to SBA are in default as to payment of principal or interest, or with respect to any other covenants of the financing agreements, the repayment delinquencies will, of course, be included in Schedule 6. Any other defaults are to be described in column (6) of Schedule 5. Such earmarked or pledged loans and debt securities shall be identified in the schedule by the letter (E) or (P), as appropriate. If no earmarked loans or debt securities are in default as to principal or interest payments, or as to any other covenants in the financing agreements, a statement to that effect shall be placed on Schedule 5.

SCHEDULE 6—ALLOWANCE FOR LOSSES ON PORTFOLIO SECURITIES—DELINQUENT LOANS AND DEBT SECURITIES

List in this schedule all loans and investments for which an allowance for losses has been established or allocated on a specific item basis and/or which (if loans or debt securities) are delinquent to the extent of having installment payments past due more than 1 month. Identify each item in column (1) by the employer identification number and name of the financed small business concern; indicate by appropriate letter in column (2) the type of financing (loan, debt security, stock, warrants, and options); and record the financing number in column (3). If there has been more than one financing of the same type with respect to the same small business concern.

In columns (4) through (8), show the opening balance of the allowance for losses on each security, the additions and deductions pertaining to such allowance, and the closing balance, all relating to the fiscal year to date. If there exists an overall allowance for losses, established on a percentage or other basis and not allocated to individual securities, the beginning and ending balances thereof, together with changes during the period, shall be shown appropriately on the "General Allowance" line at the bottom of the schedule. The grand total of column (8) shall equal the sum of items 9(b), 10(b), 11(a), and 12(a) in the Statement of Financial Condition.

Show in column (9) the principal balance or other cost, as of the close of the period, of each security listed on the schedule. In columns (10) and (11) show all installments of principal and/or interest past due more than one month on loans and debt securities. Such portfolio items shall be identified and classified in columns (1), (2), and (3), and any allowances for losses related thereto shall be included appropriately in the columns provided therefor. Any loans or debt securities earmarked or pledged to SBA shall be identified in the schedule by the letter (E) or (P), as appropriate. Show the totals of columns (10) and (11).

SCHEDULE 7—ASSETS ACQUIRED IN LIQUIDATION OF LOANS AND DEBT SECURITIES—ALLOWANCE FOR LOSSES

List and describe in this schedule, by former debtors (small business concerns), all assets carried during the fiscal year to date in the account for assets acquired in liquidation of loans (section 305) and debt securities (section 304 and § 107.302(b)(2) of the regulations). This will correctly represent only the reporting company's portion of such assets. The balance at the beginning

of the reporting period, additions and deductions during the period, and balance at the close of the period shall be shown in columns (3), (4), (5), and (6). The allowance for losses established for the reporting company's portion of the assets held with reference to each small business concern shall be recorded in column (7). Current market value, or fair value as determined by the board of directors at the close of the period shall be shown in column (8). The totals of column (6) and (7) shall agree with Items 13 and 13(c), respectively, of the Statement of Financial Condition.

SCHEDULE 8—AMOUNTS DUE FROM DEBTORS ON SALE OF ASSETS ACQUIRED IN LIQUIDATION OF LOANS AND DEBT SECURITIES—ALLOWANCE FOR UNCOLLECTIBLES

Show in this schedule, by debtors, all accounts receivable, notes receivable, sales contracts, purchase money mortgages, etc., carried during the period in the account for amounts due from debtors on sale of assets acquired in liquidation of loans (section 305) and debt securities (section 304). The interest rate and other terms shall be given. The balances at the beginning and close of the period shall be shown, together with additions and deductions during such reporting period. Allowances for uncollectibles based upon an evaluation of the reporting company's portion of individual amounts due shall be recorded in column (9) opposite the name of the debtor. If a general allowance is utilized instead of individual allowances, it shall appear only at the bottom of column (9). The totals of columns (8) and (9) shall agree with Items 14 and 14(a), respectively, of the Statement of Financial Condition. Under column (2) identify the asset or assets originally acquired in liquidation to which the amount due relates.

SCHEDULE 9—PARTICIPATIONS AND JOINT FINANCING

Show in this schedule all financings in which the reporting company participated and all financings made jointly by the reporting company and one or more other lenders or investors during the fiscal year to date, or which were outstanding at any time during such period. Identify each item in column (1) by the employer identification number and name of the financed small business concern; indicate by appropriate letter in column (2) the type of financing (loan, debt security, stock, warrants, and options); and enter the financing number in column (3) if there has been more than one financing of the same type by the reporting company to the same small business concern.

In column (4) show the original total amount contributed by all parties in the participation or joint financing. The names of such participating or joint financing entities (including the name of the reporting company) shall be shown in column (5) with appropriate indication as to which is the initiating (sponsoring) entity.

Show in column (6), (7), or (8), as appropriate, the reporting company's outstanding principal balance, or other cost, of participation purchased, participation sold, or joint financing, as of the close of the period covered in the report. Enter in column (9) a description of collateral pertaining to each financing, together with information as to the percentage applicable to each party and as to any preferences agreed upon.

SCHEDULE 10—CASH, U.S. GOVERNMENT OBLIGATIONS, INSURED SAVINGS, AND TIME CERTIFICATES OF DEPOSIT

Show in Schedule 10a all cash on hand and in general funds demand deposits; funds in imprest bank accounts. Demand deposits are balances subject to withdrawal without no-

tice and shall be in commercial banks which are members of the Federal Deposit Insurance Corporation. Cash items in process of collection represent those cash items which have been placed with banks for collection. Petty cash shall represent the full amount of the petty cash imprest fund.

List in Schedule 10b(1) all securities owned which have been issued or guaranteed by the U.S. Government, showing the name of the issuer and the title of each issue. Other required data, such as interest rate, call date, maturity date, and principal amount at par of bonds and notes, may be obtained by inspection of the securities or from records of securities pledged. The cost of the securities shall be shown in column (6) and the current market value thereof in column (7).

Show in Schedule 10b(2) all funds invested in insured savings accounts and all funds on time deposit evidenced by time certificates of deposit. Savings accounts shall be institutions the accounts of which are insured by the Federal Savings and Loan Insurance Corporation. Time deposits shall include all time certificates of deposit held by the company in commercial banks which are members of the Federal Deposit Insurance Corporation.

SCHEDULE 11—DUE FROM DIRECTORS, OFFICERS, AND EMPLOYEES

Show in this schedule amounts due from directors, officers, and employees for advances made to them (listing name and title of debtor in column (1)). The unpaid balance of each amount due at the beginning of the fiscal year shall be shown in column (2); additions, writeoffs, and collections during the fiscal year to date shall be set out in columns (3), (4), and (5); and the balance at the close of the period shall be shown in column (6). The total of column (6) shall agree with Item 6 in the Statement of Financial Condition. An explanation shall be furnished for any amount written off or for any collection other than in cash.

SCHEDULE 12—COMMITMENTS, GUARANTEES, AND OTHER CONTINGENT LIABILITIES

Furnish in Schedule 12a, (1) commitments to small business concerns for equity financing under section 304 of the Act, as amended, (2) commitments to small business concerns for loans under section 305 of the Act, as amended, and (3) commitments to banks or other lenders for deferred participations in loans or commitments to small business concerns. Show the total amount of all commitments outstanding. Show the total of all venture capital commitments outstanding immediately under "Total commitments outstanding". Enter license number in the space allotted and enter owner group code number in parentheses alongside name of small business concern.

Furnish in Schedule 12b all obligations of portfolio concerns guaranteed by the company, showing (1) date of guarantee, (2) name of debtor small business concern, (3) name of lender, owner group code number, and (4) outstanding amount of guarantee. Show the total outstanding amount of all guarantees.

Set forth separately in schedule 12c with total, all other contingent liabilities.

SCHEDULE 13—OBLIGATIONS PAYABLE

Show in this schedule, by creditors, all obligations payable representing (1) debentures payable to SBA, (2) SBA direct loans, (3) guaranteed loans purchased by SBA, (4) loans guaranteed by SBA, (5) loans not guaranteed by SBA, (6) mortgages payable for funds borrowed, and (7) mortgages payable on assets acquired in liquidation of loans and debt securities. Such liabilities

shall be grouped by the foregoing categories, and described in column (2), but subtotals are not required. Guaranteed loans purchased by SBA represent loans, originally financed by banks, which have been transferred to SBA through reassignment, transfer and delivery of the notes to SBA.

The interest rate and other terms of each obligation shall be recorded in columns (3) and (4); the unpaid balance at the beginning of the fiscal year and additions and deductions during the fiscal year to date shall be shown in columns (5), (6), and (7); and the balance payable at the close of the period, segregated between (a) amounts owed to SBA for funds borrowed and (b) amounts owed to others for funds borrowed and/or amounts representing mortgages payable on assets acquired in liquidation of loans and debt securities, shall be reflected in columns (8) and (9).

The total of column (8) shall agree with the total of Items 30 and 35 of the Statement of Financial Condition, and the total of column (9) shall agree with the total of Items 13(b), 31, and 32, and the appropriate amount opposite Item 33 of such statement.

SCHEDULE 14—CAPITAL STOCK OF LICENSEE

Furnish in this schedule a complete description of the company's capital stock authorized, capital stock issued and outstanding, and data relating to special transactions involving capital stock.

In column (1) shall be described the type and class of each issue, such as common—\$5 par, preferred (7 percent Series of 1969), etc. The par value or, for no-par stock, the stated value shall also be reported in column (1).

The number of shares authorized, whether issued or not, shall be reported in column (2).

The number of shares and amount, at par or stated value, of stock issued and not retired or canceled shall be reported in columns (3) and (4). The total of column (4) shall agree with Item 37 of the Statement of Financial Condition. The number of shares held as treasury stock shall be shown in column (5). Column (6) will represent the difference between column (3) and column (5).

Column (7) shall be the amount at par or stated value representing the number of shares outstanding as shown in column (6). The total of column (8) shall represent the amount of capital stock subscribed at the subscription price and shall agree with Item 41 of the Statement of Financial Condition.

In column (9) shall be reported the amount of subscriptions receivable, which shall agree in total with Item 41(a) of the Statement of Financial Condition.

Column (10) shall show the number of shares (other than those under option reserved for purchase by officers and employees, and column (11) shall show the number of shares reserved to cover options and other rights.

SCHEDULE 15—OPTIONS ON LICENSEE'S CAPITAL STOCK

Furnish in this schedule full information concerning outstanding capital stock options which have been granted by the company.

The holder of each option shall be identified in column (1). The number of shares optioned shall be shown in column (2). In column (3) shall be described the type and class of stock called for by the option, such as common—\$5 par, preferred (7 percent Series of 1969), etc.

Column (4) shall show the grant and expiration dates of each option and column (5) shall set forth the price or prices at which each option is exercisable, together

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PART III



DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration



TRANSPORT CATEGORY AIRPLANES

Crashworthiness and Passenger
Evacuation Standards

Title 14—AERONAUTICS AND SPACE

Chapter I—Federal Aviation Administration, Department of Transportation

[Docket No. 9605, Amdt. Nos. 25-32;
37-32; 121-84]

CRASHWORTHINESS AND PASSENGER EVACUATION STANDARDS; TRANSPORT CATEGORY AIRPLANES

The purpose of these amendments is to improve the crashworthiness and the emergency evacuation equipment requirements and operating procedures for transport category airplanes.

These amendments are based on a notice of proposed rule making (34 F.R. 13036, August 12, 1969) circulated as Notice 69-33, dated August 6, 1969.

Interested persons have been afforded an opportunity to participate in the making of these amendments, and due consideration has been given to all matters presented in the numerous comments received in response to Notice 69-33. Based upon those comments and upon further review within the FAA, a number of substantive and editorial changes have been made to the proposed rules. However, in view of the number of comments received only the most pertinent ones are discussed hereinafter. Except as modified by the following discussion, the reasons for the amendments are those contained in the notice.

In Notice 69-33 it was proposed to make certain of the requirements applicable to airplanes for which applications for type certificates have been filed, but the type certificates would not be issued until after the effective date of the proposed amendments. Several comments were received objecting to this proposal because the requirements need to be considered in the initial design stages of an airplane, which is several years prior to the issuance of the type certificate, and to impose them on airplanes nearing type certification might require a substantial redesign of the airplane and would necessitate production-line type design changes thereby dislocating production. Commentators point out that any safety benefit that might result from complying with the proposed requirement would not be commensurate with the unreasonably heavy penalty at this late stage in the certification process. In addition, several comments contended that a number of the proposed requirements are inappropriate and others are unnecessarily severe for airplanes that have a low passenger seating capacity. The FAA's purpose in proposing to make the requirements retroactive was to assure that the new generation of large jumbo jets for which applications for type certificates had been filed, would meet crashworthiness and passenger evacuation requirements that were consistent with the state-of-the-art. However, the type certification basis of those airplanes have now been established and the proposed requirements were considered in determining the airworthiness standards ap-

plicable to those airplanes. Therefore, it is no longer necessary to make the proposed requirements retroactive for these airplanes. Furthermore, the proposed retroactive requirements were not developed with the smaller transport category airplanes in mind. The crashworthiness and passenger evacuation problems increase as the size and passenger capacity of the airplane increases. Most of the proposed requirements are related to the design requirements of the larger transport category airplanes and the need to provide rapid egress for a large number of passengers in an emergency with minimum confusion. Any attainable safety benefit that might result by applying the proposed requirements retroactively to the smaller transport category airplanes that have low seating capacities, smaller cabin areas, and less complex designs would not be commensurate with the heavy burden that such a retroactive requirement would impose. Accordingly, proposed § 25.3 and the proposed amendment to § 21.17 have been withdrawn, and the proposed retroactive requirements of §§ 121.310 and 121.312 have been deleted. In addition, the "September 30, 1969" dates specified in present § 121.310 (a) and (h) have been editorially revised for consistency with the dates specified in this amendment. No substantive change has been made in the present requirement by this date change since the Part 25 requirements referenced in these sections have remained unchanged from September 30, 1969, to the date of this amendment.

In addition, the FAA has determined that certain of the requirements in proposed §§ 25.562, 25.721, 25.787, 25.807, and 25.812 are inappropriate and unnecessary, or are unnecessarily severe, for transport category airplanes that have maximum passenger seating configurations, excluding pilots seats, of nine seats or less. In those instances, the proposed requirements have been revised to provide exceptions and to include requirements for such airplanes that provide a level of safety for such airplanes equivalent to that for airplanes with larger passenger seating configurations. Insofar as the requirements are stated in terms of airplane passenger seating "configuration" whereas the present rules refer to passenger "capacity" no substantive change has been made by these revisions and none is intended. It should be noted that the foregoing classification is consistent with Amendment 23-10, adopted subsequent to the issuance of Notice 69-33, which limited the applicability of Part 23 to small airplanes that have a passenger seating configuration, excluding pilots seats, of nine seats or less.

Several comments objected to the proposed amendment of § 25.561 increasing the ultimate inertia forces in the upward and sideward direction and adding an aft load requirement. The commentators contended that the proposed changes to the present requirement are unnecessary, that the proposed side load and upward load factors are not realistic, that the aft load criterion is not appropriate, and

that the costs associated with the increase in airplane weight that would result from compliance with the proposed amendment imposes an unreasonable burden. In view of the comments received, the FAA believes that further study of this proposal is necessary. Therefore, the proposal and the related change in proposed § 121.310(f) (6) have been withdrawn for further study and consideration in subsequent rulemaking.

In notice 69-33 it was proposed to add a new § 25.562 containing various requirements dealing with fuel containment. There were a number of comments indicating that the proposal was too severe and too detailed. It was also pointed out that the proposal implies a structural design requirement for a condition well beyond initial structural failure and for which technical analysis would not be reliable. There was also an indication that the reference to injury to occupants is inappropriate in connection with a proposal dealing with design requirements for fuel containment. Finally, it was pointed out that there is no practical way to ensure, with absolute certainty, that an airplane would comply with this proposal in a wheels-up landing. The FAA agrees with these comments and the proposed new § 25.562 has been withdrawn. Instead, the substance of paragraph (a) of proposed § 25.562 has been added as paragraph (b) of § 25.721 taking into account the comments noted above.

Subsequent to the issuance of Notice 69-33, § 25.721 was substantially amended and proposed paragraph (d) is now paragraph (a). Moreover, in response to a comment, the parenthetical expression in the proposed amendment has been changed to make it clear that the regulation is based on the assumption that the overloads act in the upward and aft directions.

Concerning the proposed amendment to § 25.787, several commentators recommended that the proposal be changed to require restraints for each stowage compartment in the passenger cabin rather than requiring that such compartments be completely enclosed. The FAA does not agree. The intent of the proposal is to provide more protection than that provided by restraint devices, such as tie-down straps or webbing. The conventional webbing, nets, of tie-down straps are effective provided that someone makes the necessary connections and adjustments.

Several comments stated that the term "item of mass" in proposed § 25.789 should be defined. One commentator indicated that § 25.789 should be made applicable only to galley equipment, service carts, and crew baggage. The FAA does not agree. A complete enumeration of all the possible items of mass that could be in a passenger or crew compartment would not be practicable. Part 25 contains the type certification requirements for transport category airplanes and § 25.789 is applicable only to items of mass that are included in the type design of the airplane. Section 25.789 is intended to provide protection from each

such "item of mass" located in the passenger or crew compartments, such as galley equipment, fire extinguishers and other safety equipment, and the proposal has been revised to clearly state the requirement.

In response to comments received, § 25.791 has been revised to make it clear that only one sign notifying when smoking is prohibited and one sign notifying when safety belts should be fastened must, when illuminated, be legible to each person seated in the passenger cabin under all probable conditions of cabin illumination. In addition, consistent with past practice, the proposal has been revised to make it clear that signs may use either letters or symbols, and that the standards apply only when passenger information signs are installed to comply with applicable operating rules.

The FAA received several recommendations with respect to § 25.803. In this connection, it was recommended that only "initial" reflectance and "initial" contrast should be specified for the escape route as they are the only ones under the manufacturer's control. The FAA does not agree. Reflectance and contrast do not inherently deteriorate, as do radioactive signs, and if the markings are chipped or scuffed, they can be restored to their original level by ordinary maintenance. The FAA does not agree with one commentator that the requirement for a minimum width for the escape route in § 25.803(e) should be deleted. Without a minimum requirement, the escape route could be defined by a strip so narrow that it would not provide proper identification of the escape route and would tend to slow down the flow of passengers evacuating the airplane. However, the proposed requirement has been revised to specify an escape route width of 42 inches at Type A exits since this is the minimum width permitted for those exits. In addition, the proposal has been revised in response to several comments to specify an escape route width, a reflectance, and a surface-to-marking contrast requirement for those escape routes only that do not have a means, such as side rails or guards, for channeling the flow of evacuees. Such channel devices must be designed to accommodate the needs of the particular exit and escape route and provide a rapid and effective means for passenger evacuation.

Several comments were received concerning the proposed change to the requirements for a Type III exit stating that it would be difficult for the average person to exit through a 20 x 36 exit (when this exit is not over the wing) with a step up of 20 inches from the cabin floor and enter an inflatable slide. It was recommended that the present definition of a Type III exit be retained. The FAA does not believe that the Type III exit need be restricted to overwing locations. A Type III exit with a 20-inch step up to a slide should not present any more difficulty to the average person than a Type III exit located over the wing having a 20-inch step up inside the airplane and a 27-inch step down outside the air-

plane to the wing. It should be noted that one of the considerations in permitting Type III exits to be used in other than over-the-wing locations is the fact that over-the-wing exits may not be the most desirable exits in a ditching situation. Damage assessment of airplanes in ditchings shows that the wing flaps may be severely damaged and both the leading and trailing edge of the wings may have torn-metal projections. These may damage life rafts launched and loaded from the wing. In such circumstances, it would be preferable to launch and load rafts from nonoverwing locations.

Several comments recommended that the Type IV exit be retained for the smaller transport category airplanes, particularly those having a low passenger seating capacity, on the ground that the installation of Type III exits instead of Type IV exits would significantly increase the structural weight of the airplane, and that this weight penalty is an unreasonable burden inasmuch as any benefit that might be afforded by a Type III exit would have little effect on airplane evacuation. The FAA agrees with the comments to the extent that they apply to small transport category airplanes that have a passenger seating configuration, excluding pilot seats, of nine seats or less. Accordingly, the present definition of a Type IV exit has been retained in § 25.807(a), and proposed § 25.807(c) (1) has been revised to permit the use of Type IV exits (one on each side of the fuselage) on such airplanes. In addition, the provisions of present § 25.807(c) (7) and (d) and § 25.813 that pertain to Type IV exits have been retained.

Several comments were received recommending that other provisions of current § 25.807(c) also be changed. One comment recommended the deletion of the requirement that where more than one floor level exit per side is prescribed, at least one such exit must be located near each end of the cabin. In another instance, it was recommended that applicants should be able to select the values in either the table in paragraph (c) (1) or (2). The FAA does not agree with either of these suggestions. The change to § 25.807(c) proposed in Notice 69-33 concerned only the deletion of the reference to, and the values for, Type IV exits. Both of the foregoing recommendations are outside the scope of the notice. Finally, a request was made to change the values for a Type A exit from 100 passenger seats to 115 passenger seats. The FAA does not agree. There has not been sufficient service experience with the Type A exit to date to justify the requested change. While the request may have merit, it will require further study by the FAA.

Several comments noted that the requirements of present § 25.809(b) do not include consideration of fuselage deformation, which is covered in other rules, and that it should be made clear that the proposed addition to the present rule does not include consideration of such deformation. The FAA agrees and the proposed amendment to § 25.809(b) has

been revised to clearly state the intent of the requirement. In addition, proposed subparagraph (b) (1) has been revised to make it clear that the requirement applies to the airplane when it is in the normal ground attitude as well as in the attitudes corresponding to the collapse of one or more legs of the landing gear.

A comment was also received recommending that proposed § 25.809 (b) (2) and (f) (1) (ii) be changed to require the total time from exit actuation to full slide deployment to be not more than 10 seconds. This suggestion is beyond the scope of the notice and requires further study. The FAA intends to consider it in connection with future rulemaking. However, § 25.809(f) (1) (i) has been revised to clearly state that deployment must begin during the exit opening cycle.

In response to a comment, proposed paragraph (g) of § 25.809 has been revised to allow the showing required by that paragraph to be made by tests alone or by a combination of analysis and tests.

One comment recommended that the requirement in § 25.809(h) be revised to prescribe that means must be provided to assist evacuees to reach the ground from overwing exits if the place on the airplane structure at which the escape route terminates is more than 6 feet above the ground with the airplane on the ground and the critical landing gear collapsed. Under the current requirement the 6 feet is measured with the airplane on the ground and all landing gear extended. The FAA intends to consider this recommendation, which is beyond the scope of the notice, in subsequent rulemaking.

Comments received concerning proposed § 25.809(i) indicated that the objective of this proposal had been misunderstood. The intent of the proposal is to prevent the installation of a powered exit system, the failure of which would render more than one exit totally inoperative. If a single power-boost or single power-operated exit-opening system is the primary system for operating more than one exit in an emergency, each exit must be capable of meeting the requirements of § 25.809(b) (1) in the event of failure of the primary system. The proposed requirement has been revised to make this clear.

A comment was received recommending that the exit locator signs required in § 25.811(d) not be required in airplanes having a seating capacity of 21 or less if the exit marking sign is plainly visible from any point in the cabin. The comment stated that this should be done because under the proposal the overhead locator signs would be within a few feet of the exit marking signs. The purpose of the exit locator sign is to aid in locating emergency exits and it is anticipated that regardless of the size of an airplane or its seating capacity, the exit locator signs will be near the emergency exit. This is the intent of the regulation. Another comment recommended that the proposal should require that the exit locator sign indicating the location of the nearest exit must be visible to each seated passenger. The FAA has found

that these signs provide for effective evacuation performance. The primary need to see exit locating signs occurs when the passenger reaches the aisle during emergency evacuation. As a practical matter, in existing airplanes, the exit locating signs are generally visible to passengers in their seats.

In response to a comment, the proposed requirement in § 25.812(f) that emergency lighting must be provided at each overwing exit for, among other things, a minimum width of 4 feet for a Type A exit has been changed to specify a minimum width of 42 inches. The minimum width of a Type A exit is 42 inches and the illuminated area need not be more than 42 inches wide.

One comment stated that the state-of-the-art permits each light to have its own independent power supply. The comment indicates that there is no reason to permit any light to be inoperative except those directly damaged by the fuselage separation and suggested that § 25.812(k) be changed accordingly. The FAA does not agree. This matter was considered in Amendment 25-15, adopted September 15, 1967. At that time, the FAA stated that it is not necessary to require that all lights except those directly damaged by the fuselage breakup remain operative after any single vertical separation of the fuselage during crash landing. The FAA considers that the present requirement which permits up to 25 percent of certain of the emergency lights, in addition to those directly damaged by the fuselage breakup, to be rendered inoperative is all that is required in the interest of safety. However, it should be noted that under current requirements certain important interior and exterior lights must still remain operative.

A recommendation was made to change the lead-in statement in § 25.853 to refer to "typical" decorative surfaces and to define such surfaces as "paint finishes and decorative textured laminates applied to the materials." The FAA does not believe that this change is necessary. Under this proposal repetitive testing would not be required for finishes and decorative surfaces that are found to be "typical", with respect to their burn characteristics, of finishes and decorative surfaces already tested.

In response to comments received, § 25.853(a) has been revised to make it clear that the requirement does not apply to compartments for the stowage of small items, such as maps and magazines. However, the FAA does not agree with the recommendation that synthetic materials should be tested by a method other than a vertical test. While it is recognized that the test procedures referenced in § 25.853 could be made more stringent in various ways, the FAA has no reason to believe that materials (whether synthetic or other) meeting the prescribed tests do not have adequate burn characteristics.

One commentator stated that proposed § 28.812(b) should be revised to require a supplementary self-illuminated sign that would remain lighted at all times to make passengers aware of the exit location. The FAA does not consider that such a

requirement is necessary. The purpose of the proposal is to make passengers aware of the location of the exits during the confusion attending an emergency. The FAA does not consider the passenger locating signs need be illuminated during normal operation; the general cabin lighting system normally provides sufficient illumination for the unlighted locator signs.

In response to a comment, the proposed requirements of § 25.812(b)(1) have been revised to provide some tolerance in the letter height to stroke-width ratio for emergency exit locator signs. The final rule allows a letter height to stroke-width ratio of not more than 7:1 nor less than 6:1.

One comment objected to the requirement in § 25.812(d) that the floor of the passageway leading to each floor-level passenger emergency exit must be provided with illumination that is not less than 0.02 foot-candle. The commentator stated that 0.01 foot-candle is all that is necessary in evacuation systems, and that, because eye adaption is more difficult at higher illumination levels, 0.02 foot-candles might be detrimental. The FAA considers the illumination of the passageway leading to an emergency exit to be very important and critical to safety. Evacuees must have assurance of adequate illumination for rapid and uninterrupted movement to the exit as well as for movement through the exit. While the FAA is aware of the lighting pre-adoption problem, it nevertheless considers that 0.02 foot-candle illumination is essential for passageway lighting.

Subsequent to the issuance of Notice 69-33, the lead-in sentences of § 25.812 (e) and (g) (2) were amended by Amendment 25-28, and the proposed changes to these paragraphs have been revised to include the later amendments, as revised for consistency with the requirements being adopted by this amendment.

One comment concerning the proposed requirement for a crew warning light in § 25.812(e) (2) indicated that a light burning continuously would result in power depletion. The flight crew warning light provides positive indication when the emergency lighting control device is neither armed nor turned on. The current drain is very small when related to the total electrical system demand and is outweighed by the gain in safety.

A comment recommended that instead of requiring the operating handle for Type III exits to be self-illuminated, the rule should permit lighting from the emergency lighting system as an acceptable alternative. The FAA does not agree. Adequate illumination of Type III emergency exit operating handles in an emergency situation can only be provided through self-illumination. Persons crowding the exit are likely to block off light from any source other than from the handle itself. It was also recommended that the operating instructions for opening emergency exits should be readable from the aisle rather than a distance of 30 inches. The FAA disagrees. The instructions need only be readable by the persons at or near the exit who are in a position to open the exit. The 30-inch

requirement has been in the regulation for many years and there is no evidence that it is not adequate. However, since paragraph (e) of § 25.811 applies only to operation of an exit from the inside, it has been revised to make this clear. It was also recommended that self-illuminated handles be required on all passenger emergency exits instead of limiting them to Type III exits. All Type A and Type I exits and all Type II exits not located overwing, are floor level exits and the rules now require general illumination for passageways leading to such exits. This general illumination provides adequate illumination for operating handles and instructions. However, the comment may have merit with respect to Type II and Type IV overwing exits and the FAA plans to consider it in subsequent rule-making action with respect to such exits.

It was also recommended that each sign use the words "emergency exit" to eliminate the possibility that passengers might attempt to open emergency exits in other than emergency conditions. The FAA does not consider that such a change is necessary. All exits are "emergency" exits and the FAA considers that the word "exit" is more appropriate.

In response to comments received, proposed paragraph (a) of § 25.812 has been revised for the purpose of clarifying the requirement. No substantive change has been made by this revision.

One commentator stated that test evidence suggests that a reduction in the flame resistant standards of sidewall materials up to the top of the window line can be made with no loss of overall safety compared with the standard above this height, having regard to the lesser tendency for flame to spread at the lower level. The FAA does not agree. While the FAA is aware of higher potential temperature and flame spread at the upper sidewalls and ceiling, it is also aware that wall panels and partitions normally are continuous to floor level. Furthermore, there is no certainty that the cabin ceiling and upper sidewalls will remain uppermost after a crash landing.

One comment concerning § 25.853 suggested that "covering of upholstery" be deleted from the requirements of paragraph (b). The FAA agrees. The term "upholstery" includes the material used to stuff and to permanently cover furniture. It was also suggested that cargo compartment liners, insulation blankets, and cargo covers be deleted from § 25.853 and that all cargo compartment requirements be placed in § 25.855. The FAA does not agree that this is necessary. However, the provisions have been revised to clearly set forth the distinction between the fire protection requirement of §§ 25.853 and 25.855. In this case, the final rule makes it clear that § 25.853 covers, in addition to other materials, materials used in convertible passenger/crew cargo compartments. On the other hand, § 25.855 covers cargo and baggage compartments not occupied by passenger or crew.

A number of comments suggested that certain of the items listed in proposed § 25.853(b) could be constructed with

elastomeric materials and that the rule should not require this material to be listed to the standards of paragraph (b). The FAA agrees and the proposal has been revised to allow those items, if constructed of elastomeric materials, to be tested under the requirements of paragraph (b-2).

With respect to proposed § 25.853(c), there was a comment recommending that the words "instrument assemblies" be changed to read "instrument panels." The FAA does not agree. Under the current rules, "edge light instrument panels" made of specified materials were exempt from the requirements of paragraph (a) of § 25.853 applicable to all wall and ceiling panels. Notice 69-33 proposed to remove that exemption since there are materials that can be used in edge light instrument panels that are available and that meet the self-extinguishing requirements of paragraph (a). The proposed requirement concerning "edge lighted instrument assemblies" is not related to edge lighted instrument panels. The edge lighted instrument assembly requirement applies to one or more instruments situated in a common housing. Such assemblies may be installed in edge lighted instrument panels.

A comment was also received requesting that proposed § 25.853(d) be changed so that "small parts" need not be tested. The commentator contends that it is impractical to test each small part and that the chemistry of materials is sufficiently well known to prevent the use of rapid burning materials. The FAA does not agree that all small parts need not be tested. However, the requirement has been revised to provide that small parts which the Administrator finds would not contribute significantly to the propagation of a fire, need not be tested. Another comment stated that the 4 in./min. burn rate is unnecessarily lenient for all small parts and recommended a 2.5 in./min. burn rate. The FAA does not agree. The availability of materials that would meet the 2.5 in./min. burn rate is limited. Moreover, the quantities of materials involved in this recommendation is not sufficient to warrant the more stringent burn capability.

Various comments also requested clarification regarding the applicability of proposed § 25.853(d) to motion picture film. The motion picture film that is used aboard aircraft now is safety film. In response to these comments and after further consideration, the FAA has determined that motion picture film need not meet the proposed requirements, but must meet the specifications for safety film set forth in Standard Specifications for Safety Photographic Film PH1.25. The proposal has been revised accordingly. Moreover, the ducts through which the motion picture film travels during operation in flight must meet the requirements of § 25.853(b) which apply to other ducts on the airplane.

The purpose of the proposed amendment to §§ 25.855 and 25.857 was to delete the requirement for a liner in cargo compartments from § 25.857 and put it in § 25.855. However, it appears that the

proposed change to § 25.855, while establishing certain characteristics for liners, does not expressly require a liner. Therefore, proposed § 25.855(a) has been revised to require a liner in Class B through E cargo and baggage compartments. Moreover, it has been brought to the FAA's attention that the proposed amendment could be interpreted as prohibiting "a pinhole or translucent resin area through which light can be seen but flame does not penetrate." This was not intended and the appropriate change has been made to clarify the proposal.

In a comment on § 25.1359(d), it was recommended that this requirement should apply to electrical wire and cable insulation in a "pressurized zone" rather than in the entire fuselage. The FAA does not agree. With respect to wire and cable insulation, the FAA is equally concerned about all areas of the fuselage. Burning wire insulation could cause the spread of a fire from a nonpressurized zone to a pressurized zone. Another comment recommended that wire insulation must be self-extinguishing when tested at an angle of 60°, that a burn length requirement not to exceed 3 inches should be added, and that the dripping requirement should be changed to an average of 3 seconds. It was also recommended that the proposal should refer to "coaxial cable" rather than "cable" and should specify a burn rate of 2.5 in./min. for that cable. The test procedure specified in Appendix F for wire and cable is a 60° test. Therefore, it is appropriate to refer to the 60° test in § 25.1359(d). Moreover, through oversight, the proposal did not contain a burn length requirement which is essential in determining that any material is self-extinguishing. Therefore, the proposal has been changed to specify a 3-inch burn length. However, the FAA does not agree that the proposal should be changed to refer to coaxial cables and to specify a 2.5 in./min. burn rate. The FAA considers that all electrical cable insulation must meet the proposed fire protection requirement, including coaxial. Since the regulation now contains a burn length requirement as the criterion for self-extinguishing properties, there is no need for a burn rate requirement.

A comment recommended that the proposal be revised to require a single wire vertical test with a 2-second extinguishing time and a 10-wire bundle test with a 5-second extinguishing time. The FAA does not believe that these tests are necessary to insure that electrical wire and cable insulations have adequate self-extinguishing characteristics. The proposed requirement covers both burn length and extinguishing time and also permits persons to use any approved equivalent method for determining that the insulation is self-extinguishing. The test methods recommended could be used if they are equivalent to the method stated in the appendix.

In response to a comment, paragraph (a) of Appendix F has been changed to add a limitation of 24 hours as an alternative to reaching moisture equilibrium. The FAA believes that this revision

would not significantly affect the outcome of the tests. In addition, the proposed paragraph (b) has been revised to permit testing material of the actual size used in the airplane if it is smaller than the specified 2 inches wide and 12 inches long.

In response to comments, the Federal Standard referenced in paragraph (c) of Appendix F has been revised to reflect the correct designation and paragraph (f) has been revised to specify that the flame must contact the center of the material.

In response to comment, the proposal covering burn length has been revised to make it clear that the burn length excludes areas where material has melted away from the heat source. Finally, in response to comments a number of clarifying changes have been made to the proposal for the 60 degree test applicable to wire and cable. In this connection, the rule now requires the testing of a minimum of three specimens in place of the statistical determination. It also allows the upper end of the specimens to be passed over a rod or pulley and the use of a Tirrill burner as well as a Bunsen burner. The requirement for a 1/4-inch inlet and the centigrade reference for the burner have been deleted for consistency with other test requirements.

The proposed changes to §§ 37.132, 37.136, and 37.178 have been incorporated into the appropriate provisions under those TSO's to make it clear that the new requirements apply only to new models of equipment manufactured on or after the effective date of the new requirements.

In Notice 69-33, it was proposed to amend § 121.215 to cover only the requirement for ash trays and to require placarding when smoking is not allowed. This amendment was proposed on the grounds that all the other fire protection requirements currently contained in § 121.215 concerning cabin interiors are now covered under other provisions in Part 121. While this statement is appropriate insofar as the later aircraft are concerned, it is not appropriate with respect to all of the older aircraft covered under Subpart J. Thus, until such time as there is a major overhaul of a cabin or a refurbishing of a cabin interior on those aircraft as provided in § 121.312, the fire protection requirements of § 121.215 are still necessary. The current provisions of § 121.215 have been retained with an appropriate reference to § 121.312.

It was also proposed to amend § 121.285 to require that cargo bins in passenger compartments meet the current requirements of § 25.853(b) upon adoption of these amendments. However, as indicated in one of the comments, such a proposed change would be inconsistent with current § 121.312 which only requires compliance with current § 25.853 for such cargo bins upon refurbishing or major overhaul of cabin compartment. The proposed change to § 121.285 has therefore been withdrawn.

While there was no change to § 121.291 proposed in Notice 69-33, the FAA is

aware that some confusion exists concerning the application of § 121.291 to an airplane that is the same, from an emergency evacuation point of view, as another airplane in which the certificate holder has successfully demonstrated emergency evacuation. The FAA does not believe that in such a situation a repeat of the demonstration is necessary. Therefore, § 121.291 has been revised to make this clear.

While not covered in Notice 69-33 in any detail, the FAA considers it appropriate at this time to make certain editorial revisions to § 121.310. The many substantive changes being made to § 121.310 make these editorial changes desirable. In this connection all of the expired compliance dates in the section have been deleted and the various paragraphs have been appropriately rearranged to accommodate these deletions. No substantive changes have been made by these editorial revisions and none is intended. These editorial revisions affect paragraphs (a), (g), (h), (i), and (j).

A clarifying change has been made to § 121.310(a) to make it consistent with the corresponding requirement in § 25.812(a).

The proposed amendment to § 121.310 (b) (2) has been revised to remove the inconsistency between the lead-in paragraph and the referenced provisions of § 25.812(b). The lead-in paragraph, as proposed in Notice 69-33, inadvertently retained the requirement that interior emergency exit marking and locator signs must have white letters 1 inch high on a red background 2 inches high. While this is appropriate for airplanes that are type certificated prior to the effective date of this amendment, it is inconsistent with the interior emergency exit marking requirements for airplanes that are type certificated after that date. In addition, the requirements set forth in subdivision (iii) of this proposal have been incorporated into subdivision (i) since they are not related to the new requirements set forth in subdivision (ii).

In answer to one commentator, a "transverse vertical separation" in § 121.310(d) is a vertical separation of the airplane that is approximately 90° to the longitudinal axis. The addition of the word "transverse" makes § 121.310(d) consistent with § 25.812(e) (3).

It was proposed to amend § 121.310(d) further by adding a new subparagraph (3) requiring a flight crew warning light. In response to a comment, and after further consideration, the FAA believes that it would be unreasonably burdensome to apply this requirement to airplanes already in service. However, airplanes newly certificated under § 25.812(e) (2) of this amendment will be equipped with a flight crew warning light, thereby providing an orderly transition to an improved level of safety.

The proposed amendment requiring that each exit emergency light provide the required level of illumination for at least 10 minutes at the critical ambient conditions after emergency landing has been removed from subdivision (iii) of

subparagraph (2) of § 121.310(d) and placed in a new subparagraph (3). It has been determined by the FAA that the operators will need additional time in order to make the modifications necessary to meet this requirement. Therefore, this new requirement has been placed in subparagraph (3) with a compliance date 2 years after the effective date of this amendment.

Several comments were received concerning proposed § 121.312. All of these comments cited difficulties with the requirement that cabin interior material must be replaced upon the first "major overhaul" or upon "refurbishing" of the cabin interior. The comments noted that cabin interiors are being maintained on an "on condition" basis and suggested that the rule should be so clarified. The incorporation of an "on condition" requirement in proposed § 121.312 would require a complete revision to that section and would be outside the scope of the notice. However, it appears that a clarification of that regulation may be necessary and the FAA is currently studying this proposal with a view to initiating appropriate rulemaking.

Concerning the proposed change to § 121.317, it has come to the attention of the FAA that on some airplanes, the seat belt and no smoking signs are not visible to some seated passengers. In these instances, an announcement is made over the public address system that the signs have been turned on. In the final rule, operators of such airplanes have been given 2 years to procure and install the additional signs required to comply with the new rule. In the meantime, the operators must continue to meet the current requirements.

Section 121.391(d) has been revised to make it clear that: (1) This paragraph applies only to flight attendants required by § 121.391; and (2) the flight attendants need only be located at the required floor level exits. It was not intended that flight attendants be seated at the additional floor level exits because such exits do not, in general, meet all of the standards applicable to required emergency exits. The FAA believes that in the interest of safety, flight attendants must be located at the most effective floor level exits.

Several comments indicated that the requirement in § 121.571, that passengers be briefed to keep their safety belts "loosely and comfortably fastened while seated", would not be appropriate. After such a briefing, passengers might not have the belt fastened tight enough to provide the necessary restraint in the event of unexpected turbulence. The FAA agrees and the rule requires only that passengers be told that they should keep their seat belts fastened while seated.

In addition, one commentator noted that a pretakeoff briefing is not the appropriate place for the announcement that when the seat belt sign is off passengers should keep their seat belts fastened. The commentator believes that this briefing should be made after takeoff when turning the seat belt sign off. The

FAA agrees, and the proposal has been changed accordingly.

Several comments were received concerning proposed § 121.577. These comments recommended that the proposal permit certain beverages and foods to be located at a passenger seat during takeoff or landing of an airplane. One commentator indicated that beverages in small paper or plastic cups or a breakfast roll would not constitute a danger to passengers in the event of an accident. As the FAA stated in Notice 69-33, in an emergency situation requiring evacuation, the litter from food service of any kind (including coffee or rolls) can be hazardous. Therefore, the proposal has not been changed as recommended. However, proposed § 121.577(b) has been revised to make it clear that during takeoff and landing passenger food and beverage trays and serving carts must be secured in their stowed positions, i.e., correctly positioned in their storage compartment and their restraint means, if any, fastened.

Numerous comments were received on the proposal concerning carry-on baggage (§ 121.589). Several comments pointed out that the restraint requirement should not be made mandatory for all seats. The FAA agrees that it is only when baggage is permitted to be stowed under a seat that the seat need be fitted with a means to prevent articles of baggage stowed under it from sliding forward. The proposal has been revised accordingly. Two comments objected to any requirement that carry-on baggage be stowed under a seat. The inconvenience of having to check baggage with no corresponding gain in safety was cited as reason for their objection. The FAA does not agree. Carry-on baggage must be secured to prevent injury to passengers, and to prevent interference with passenger evacuation, in a crash situation. The increase in safety realized from such a requirement far outweighs the inconvenience of checking the baggage. Another comment recommended that the rule permit stowage of carry-on baggage in front of passengers seated facing a bulkhead provided the bulkhead meets the crash impact requirements of paragraph (c) of § 121.589. Section 121.285 already provides for the carriage of cargo, including carry-on baggage, forward of the foremost seated passenger. However, insofar as the recommendation would require the imposition of crash impact loads on bulkheads, it would constitute a substantive change in the existing requirements. Such a change is outside the scope of Notice 69-33. On the other hand, the recommendation appears to have merit and may be the subject of a future rule-making action.

There was also a comment recommending that the carry-on baggage should be restrained in the sideward direction as well as in the forward direction. Such a requirement was not proposed in Notice 69-33 and the FAA believes that most seats provide side restraint. However, since there may be seats that do not, the FAA is looking

into the matter and will initiate rule making as needed.

In consideration of the foregoing, Parts 25, 37, and 121 of the Federal Aviation Regulations are amended, effective May 1, 1972, as follows:

PART 25—AIRWORTHINESS STANDARDS: TRANSPORT CATEGORY AIRPLANES

1. Section 25.721 is amended to read as follows:

§ 25.721 General.

(a) The main landing gear system must be designed so that if it fails due to overloads during takeoff and landing (assuming the overloads to act in the upward and aft directions), the failure mode is not likely to cause—

(1) For airplanes that have a passenger seating configuration, excluding pilots seats, of nine seats or less, the spillage of enough fuel from any fuel system in the fuselage to constitute a fire hazard; and

(2) For airplanes that have a passenger seating configuration, excluding pilots seats, of 10 seats or more, the spillage of enough fuel from any part of the fuel system to constitute a fire hazard.

(b) Each airplane that has a passenger seating configuration excluding pilots seats, of 10 seats or more must be designed so that with the airplane under control it can be landed on a paved runway with any one or more landing gear legs not extended without sustaining a structural component failure that is like to cause the spillage of enough fuel to constitute a fire hazard.

(c) Compliance with the provisions of this section may be shown by analysis or tests, or both.

2. Section 25.785(c) is amended by amending the second sentence of the lead-in paragraph and subparagraphs (1), (2), and (3) to read as follows:

§ 25.785 Seats, berths, safety belts, and harnesses.

(c) * * * Each occupant of any other seat must be protected from head injury by a safety belt and, as appropriate to the type, location, and angle of facing of each seat, by one or more of the following:

(1) A shoulder harness that will prevent the head from contacting any injurious object.

(2) The elimination of any injurious object within striking radius of the head.

(3) An energy absorbing rest that will support the arms, shoulders, head, and spine.

3. Section 25.787 is amended by striking out paragraph (c) and by changing the title of the section and amending paragraph (a) to read as follows:

§ 25.787 Stowage compartments.

(a) Each compartment for the stowage of cargo, baggage, carry-on articles, and equipment (such as life rafts), and any

other stowage compartment must be designed for its placarded maximum weight of contents and for the critical load distribution at the appropriate maximum load factors corresponding to the specified flight and ground load conditions, and to the emergency landing conditions of § 25.561(b), except that the forces specified in the emergency landing conditions need not be applied to compartments located below, or forward, of all occupants in the airplane. If the airplane has a passenger seating configuration, excluding pilots seats, of 10 seats or more, each stowage compartment in the passenger cabin, except for underseat and overhead compartments for passenger convenience, must be completely enclosed.

(c) [Deleted]

4. A new § 25.789 is added to read as follows:

§ 25.789 Retention of items of mass in passenger and crew compartments.

Means must be provided to prevent each item of mass (that is part of the airplane type design) in a passenger or crew compartment from becoming a hazard by shifting under the appropriate maximum load factors corresponding to the specified flight and ground load conditions, and to the emergency landing conditions of § 25.561(b).

5. A new § 25.791 is added to read as follows:

§ 25.791 Passenger information signs.

When passenger information signs are installed to comply with the operating rules of this chapter, at least one sign (using either letters or symbols) notifying when smoking is prohibited and one sign (using either letters or symbols) notifying when safety belts should be fastened must, when illuminated, be legible to each person seated in the passenger cabin under all probable conditions of cabin illumination. Signs which notify when safety belts should be fastened and when smoking is prohibited must be so constructed that the crew can turn them on and off.

6. Paragraph (e) of § 25.803 is amended to read as follows:

§ 25.803 Emergency evacuation.

(e) An escape route must be established from each overwing emergency exit, and (except for flap surfaces suitable as slides) covered with a slip resistant surface. Except where a means for channeling the flow of evacuees is provided—

(1) The escape route must be at least 42 inches wide at Type A passenger emergency exits and must be at least 2 feet wide at all other passenger emergency exits, and

(2) The escape route surface must have a reflectance of at least 80 percent, and must be defined by markings with a surface-to-marking contrast ratio of at least 5:1.

7. Section 25.807 *Passenger emergency exits*, is amended as follows:

A. By amending paragraph (a)(3) to read as follows:

B. By amending paragraphs (c) and (d) to read as follows:

§ 25.807 Passenger emergency exits.

(a) * * *

(3) *Type III*. This type must have a rectangular opening of not less than 20 inches wide by 36 inches high, with corner radii not greater than one-third the width of the exit, and with a step-up inside the airplane of not more than 20 inches. If the exit is located over the wing the step-down outside the airplane may not exceed 27 inches.

(c) *Passenger emergency exits*. The prescribed exits need not be diametrically opposite each other nor identical in size and location on both sides. They must be distributed as uniformly as practicable taking into account passenger distribution. If only one floor level exit per side is prescribed, and the airplane does not have a tail cone or ventral emergency exit, the floor level exits must be in the rearward part of the passenger compartment, unless another location affords a more effective means of passenger evacuation. Where more than one floor level exit per side is prescribed, at least one floor level exit per side must be located near each end of the cabin, except that this provision does not apply to combination cargo/passenger configurations. Exits must be provided as follows:

(1) Except as provided in subparagraphs (2) through (6) of this paragraph, the number and type of passenger emergency exits must be in accordance with the following table:

Passenger seating configuration (crewmember seats not included)	Emergency exits for each side of the fuselage			
	Type I	Type II	Type III	Type IV
1 through 9				1
10 through 19			1	
20 through 39		1		
40 through 79	1			
80 through 109	1		2	
110 through 139	2		1	
140 through 179	2		2	

(2) An increase in the passenger seating configuration above the maximum permitted under subparagraph (1) of this paragraph but not to exceed a total of 299 seats may be allowed in accordance with the following table for each additional pair of emergency exits in excess of the minimum number prescribed in subparagraph (1) of this paragraph for 179 passenger seats:

Additional emergency exits (each side of fuselage):	Increase in passenger seating configuration allowed
Type A	100
Type I	45
Type II	40
Type III	35

(3) For passenger seating configurations in excess of 299 seats, each emergency exit in the side of the fuselage must be either a Type A or Type I. A passenger seating configuration of 100 seats is allowed for each pair of Type A exits and a passenger seating configuration of 45 seats is allowed for each pair of Type I exits.

(4) If a passenger ventral or tail cone exit is installed and can be shown to allow a rate of egress at least equivalent to that of a Type III exit with the airplane in the most adverse exit opening condition because of the collapse of one or more legs of the landing gear, an increase in the passenger seating configuration beyond the limits specified in subparagraph (1), (2), or (3) of this paragraph may be allowed as follows:

(i) For a ventral exit, 12 additional passenger seats.

(ii) For a tail cone exit incorporating a floor level opening of not less than 20 inches wide by 60 inches high, with corner radii not greater than one-third the width of the exit, in the pressure shell and incorporating an approved assist means in accordance with § 25.809(f) (1), 25 additional passenger seats.

(iii) For a tail cone exit incorporating an opening in the pressure shell which is at least equivalent to a Type III emergency exit with respect to dimensions, step-up and step-down distance, and with the top of the opening not less than 56 inches from the passenger compartment floor, 15 additional passenger seats.

(5) For airplanes on which the vertical location of the wing does not allow the installation of overwing exits, an exit of at least the dimensions of a Type III exit must be installed instead of each Type IV exit required by subparagraph (1) of this paragraph.

(6) Each emergency exit in the passenger compartment in excess of the minimum number of required emergency exits must meet the applicable requirements of §§ 25.809 through 25.812, and must be readily accessible.

(d) *Ditching emergency exits for passengers.* Ditching emergency exits must be provided in accordance with the following requirements, unless the emergency exits required by paragraph (c) of this section already meet them:

(1) For airplanes that have a passenger seating configuration, excluding pilots seats, of nine seats or less, one exit above the waterline in each side of the airplane, meeting at least the dimensions of a Type IV exit.

(2) For airplanes that have a passenger seating configuration, excluding pilots seats, of 10 seats or more, one exit above the waterline in a side of the airplane, meeting at least the dimensions of a Type III exit, for each unit (or part of a unit) of 35 passenger seats, but no less than two such exits in the passenger cabin, with one on each side of the airplane. However, where it has been shown through analysis, ditching demonstrations, or any other tests found necessary by the Administrator, that the evacuation capability of the airplane during ditching is improved by the use of larger

exits, or by other means, the passenger seat/exit ratio may be increased.

(3) If side exits cannot be above the waterline, the side exits must be replaced by an equal number of readily accessible overhead hatches of not less than the dimensions of a Type III exit except that, for airplanes with a passenger configuration, excluding pilots seats, of 35 seats or less, the two required Type III side exits need be replaced by only one overhead hatch.

8. Section 25.809 *Emergency exit arrangement*, is amended as follows:

A. By amending paragraph (b) to read as set forth below.

B. By amending paragraph (f) (1) to read as set forth below.

C. By amending paragraph (g) to read as set forth below.

D. By amending paragraph (h) and by adding a new paragraph (i) to read as set forth below.

§ 25.809 *Emergency exit arrangement.*

(b) * * * Each emergency exit must be capable of being opened, when there is no fuselage deformation—

(1) With the airplane in the normal ground attitude and in each of the attitudes corresponding to collapse of one or more legs of the landing gear; and

(2) Within 10 seconds measured from the time when the opening means is actuated to the time when the exit is fully opened.

(f) * * * (1) The assisting means for each passenger emergency exit must be a self-supporting slide or equivalent, and must be designed to meet the following requirements:

(i) It must be automatically deployed and deployment must begin during the interval between the time the exit opening means is actuated from inside the airplane and the time the exit is fully opened. However, each passenger emergency exit which is also a passenger entrance door or a service door must be provided with means to prevent deployment of the assisting means when it is opened from either the inside or the outside under non-emergency conditions for normal use.

(ii) It must be automatically erected within 10 seconds after deployment is begun.

(iii) It must be of such length that the lower end is self-supporting on the ground after collapse of one or more legs of the landing gear.

(g) Each emergency exit must be shown by tests, or by a combination of analysis and tests, to meet the requirements of paragraphs (b) and (c) of this section.

(h) If the place on the airplane structure at which the escape route required in § 25.803(e) terminates is more than 6 feet from the ground with the airplane on the ground and the landing gear extended, means must be provided to assist evacuees (who have used the overwing exits) to reach the ground. If the escape route is over a flap, the height of the terminal edge must be measured with the

flap in the takeoff or landing position, whichever is higher from the ground. The assisting means must be of such length that the lower end is self-supporting on the ground after collapse of any one or more landing gear legs.

(i) If a single power-boost or single power-operated system is the primary system for operating more than one exit in an emergency, each exit must be capable of meeting the requirements of paragraph (b) of this section in the event of failure of the primary system. Manual operation of the exit (after failure of the primary system) is acceptable.

9. Section 25.811 *Emergency exit marking*, is amended as follows:

A. By amending paragraph (d) to read as set forth below.

B. By amending the lead-in sentence and subparagraph (1) of paragraph (e) to read as set forth below.

C. By amending subparagraph (2) of paragraph (e) by inserting the words "Type A", between the word "each" and the words "Type I".

D. By amending paragraph (g) to read as set forth below.

§ 25.811 *Emergency exit marking.*

(d) The location of each passenger emergency exit must be indicated by a sign visible to occupants approaching along the main passenger aisle (or aisles). There must be—

(1) A passenger emergency exit locator sign above the aisle (or aisles) near each passenger emergency exit, or at another overhead location if it is more practical because of low headroom, except that one sign may serve more than one exit if each exit can be seen readily from the sign;

(2) A passenger emergency exit marking sign next to each passenger emergency exit, except that one sign may serve two such exits if they both can be seen readily from the sign; and

(3) A sign on each bulkhead or divider that prevents fore and aft vision along the passenger cabin to indicate emergency exits beyond and obscured by the bulkhead or divider, except that if this is not possible the sign may be placed at another appropriate location.

(e) The location of the operating handle and instructions for opening the exit from the inside must be shown as follows:

(1) For each passenger emergency exit, by a marking on or near the exit that is readable from a distance of 30 inches. In addition, the operating handle for each Type III passenger emergency exit must be self-illuminated with an initial brightness of at least 160 microlamberts. If the operating handle is covered, self-illuminated cover removal instructions having an initial brightness of at least 160 microlamberts must also be provided.

(g) Each sign required by paragraph (d) of this section may use the word "exit" in its legend in place of the term "emergency exit".

10. Section 25.812 *Emergency lighting*, is amended as follows:

A. By amending the lead-in statement of paragraph (a) to read as set forth below.

B. By amending paragraphs (b), (c), (d), (e), (f), and (g) to read as set forth below.

C. By amending paragraph (k) by inserting the word "transverse" between the words "single" and "vertical" in the lead-in statement and by striking out the word "exit" in subparagraph (3).

§ 25.812 Emergency lighting.

(a) An emergency lighting system, independent of the main lighting system, must be installed. However, the sources of general cabin illumination may be common to both the emergency and the main lighting systems if the power supply to the emergency lighting system is independent of the power supply to the main lighting system. The emergency lighting system must include:

(b) Emergency exit signs—

(1) For airplanes that have a passenger seating configuration, excluding pilot seats, of 10 seats or more must meet the following requirements:

(i) Each passenger emergency exit locator sign required by § 25.811(d)(1) and each passenger emergency exit marking sign required by § 25.811(d)(2) must have red letters at least 1½ inches high on an illuminated white background, and must have an area of at least 21 square inches excluding the letters. The lighted background-to-letter contrast must be at least 10:1. The letter height to stroke-width ratio may not be more than 7:1 nor less than 6:1. These signs must be internally electrically illuminated with a background brightness of at least 25 foot-lamberts and a high-to-low background contrast no greater than 3:1.

(ii) Each passenger emergency exit sign required by § 25.811(d)(3) must have red letters at least 1½ inches high on a white background having an area of at least 21 square inches excluding the letters. These signs must be internally electrically illuminated or self-illuminated by other than electrical means and must have an initial brightness of at least 400 microlamberts. The colors may be reversed in the case of a sign that is self-illuminated by other than electrical means.

(2) For airplanes that have a passenger seating configuration, excluding pilot seats, of nine seats or less, that are required by § 25.811(d)(1), (2), and (3) must have red letters at least 1 inch high on a white background at least 2 inches high. These signs may be internally electrically illuminated, or self-illuminated by other than electrical means, with an initial brightness of at least 160 microlamberts. The colors may be reversed in the case of a sign that is self-illuminated by other than electrical means.

(c) General illumination in the passenger cabin must be provided so that when measured along the centerline of main passenger aisle(s), and cross

aisle(s) between main aisles, at seat armrest height and at 40-inch intervals, the average illumination is not less than 0.05 foot-candle and the illumination at each 40-inch interval is not less than 0.01 foot-candle. A main passenger aisle(s) is considered to extend along the fuselage from the most forward passenger emergency exit or cabin occupant seat, whichever is farther forward, to the most rearward passenger emergency exit or cabin occupant seat, whichever is farther aft.

(d) The floor of the passageway leading to each floor-level passenger emergency exit, between the main aisles and the exit openings, must be provided with illumination that is not less than 0.02 foot-candle measured along a line that is within 6 inches of and parallel to the floor and is centered on the passenger evacuation path.

(e) Except for subsystems provided in accordance with paragraph (g) of this section that serve no more than one assist means, are independent of the airplane's main emergency lighting system, and are automatically activated when the assist means is erected, the emergency lighting system must be designed as follows.

(1) The lights must be operable manually from the flight crew station and (if required by the operating rules of this chapter) from a point in the passenger compartment that is readily accessible to a normal flight attendant seat.

(2) There must be a flight crew warning light which illuminates when power is on in the airplane and emergency lighting control device is neither armed nor turned on.

(3) When armed or turned on, the lights must remain lighted or become lighted upon interruption (except an interruption caused by a transverse vertical separation of the fuselage during crash landing) of the airplane's normal electric power. There must be means to safeguard against inadvertent operation of the control device from the "armed" or "on" position.

(f) Exterior emergency lighting must be provided as follows:

(1) At each overwing emergency exit the illumination must be—

(i) Not less than 0.03 foot-candle (measured normal to the direction of the incident light) on a 2-square-foot area where an evacuee is likely to make his first step outside the cabin;

(ii) Not less than 0.05 foot-candle (measured normal to the direction of the incident light) for a minimum width of 42 inches for a Type A overwing emergency exit and of 2 feet for all other overwing emergency exits along the 30 percent of the slip-resistant portion of the escape route required in § 25.803(e) that is farthest from the exit; and

(iii) Not less than 0.03 foot-candle on the ground surface with the landing gear extended (measured normal to the direction of the incident light) where an evacuee using the established escape route would normally make first contact with the ground.

(2) At each non-overwing emergency exit not required by § 25.809(f) to have descent assist means the illumination

must be not less than 0.03 foot-candle (measured normal to the direction of the incident light) on the ground surface with the landing gear extended where an evacuee is likely to make his first contact with the ground outside the cabin.

(g) The means required in § 25.809(f)(1) and (h) to assist the occupants in descending to the ground must be illuminated so that the erected assist means is visible from the airplane.

(1) If the assist means is illuminated by exterior emergency lighting, it must provide illumination of not less than 0.03 foot-candle (measured normal to the direction of the incident light) at the ground end of the erected assist means where an evacuee using the established escape route would normally make first contact with the ground, with the airplane in each of the attitudes corresponding to the collapse of one or more legs of the landing gear.

(2) If the emergency lighting subsystem illuminating the assist means serves no other assist means, is independent of the airplane's main emergency lighting system, and is automatically activated when the assist means is erected, the lighting provisions—

(i) May not be adversely affected by stowage; and

(ii) Must provide illumination of not less than 0.03 foot-candle (measured normal to the direction of incident light) at the ground end of the erected assist means where an evacuee would normally make first contact with the ground, with the airplane in each of the attitudes corresponding to the collapse of one or more legs of the landing gear.

11. Section 25.813(c) is amended to read as follows:

§ 25.813 Emergency exit access.

(c) There must be access from each aisle to each Type III or Type IV exit, and—

(1) For airplanes that have a passenger seating configuration, excluding pilot seats, of 20 or more, the projected opening of the exit provided must not be obstructed by seats, berths, or other protrusions (including seat-backs in any position) for a distance from that exit not less than the width of the narrowest passenger seat installed on the airplane;

(2) For airplanes that have a passenger seating configuration, excluding pilot seats, of 19 or less, there may be minor obstructions in this region, if there are compensating factors to maintain the effectiveness of the exit.

12. Section 25.853 is amended by amending the lead-in statement and paragraphs (a) and (b) and by adding new paragraphs (b-1), (b-2), and (b-3) to read as follows:

§ 25.853 Compartment interiors.

Materials (including finishes or decorative surfaces applied to the materials) used in each compartment occupied by

the crew or passengers must meet the following test criteria as applicable:

(a) Interior ceiling panels, interior wall panels, partitions, galley structure, large cabinet walls, structural flooring, and materials used in the construction of stowage compartments (other than underseat stowage compartments and compartments for stowing small items such as magazines and maps) must be self-extinguishing when tested vertically in accordance with the applicable portions of Appendix F of this part, or other approved equivalent methods. The average burn length may not exceed 6 inches and the average flame time after removal of the flame source may not exceed 15 seconds. Drippings from the test specimen may not continue to flame for more than an average of 3 seconds after falling.

(b) Floor covering, textiles (including draperies and upholstery), seat cushions, padding, decorative and nondecorative coated fabrics, leather, trays and gallery furnishings, electrical conduit, thermal and acoustical insulation and insulation covering, air ducting, joint and edge covering, cargo compartment liners, insulation blankets, cargo covers, and transparencies, molded and thermoformed parts, air ducting joints, and trim strips (decorative and chafing), that are constructed of materials not covered in paragraph (b-2) of this section, must be self-extinguishing when tested vertically in accordance with the applicable portions of Appendix F of this part, or other approved equivalent methods. The average burn length may not exceed 8 inches and the average flame time after removal of the flame source may not exceed 15 seconds. Drippings from the test specimen may not continue to flame for more than an average of 5 seconds after falling.

(b-1) Motion picture film must be safety film meeting the Standard Specifications for Safety Photographic Film PH 1.25 (available from the United States of America Standards Institute, 10 East 40th Street, New York, NY 10018), or an FAA-approved equivalent. If the film travels through ducts, the ducts must meet the requirements of paragraph (b) of this section.

(b-2) Acrylic windows and signs, parts constructed in whole or in part of elastomeric materials, edge lighted instrument assemblies consisting of two or more instruments in a common housing, seat belts, shoulder harnesses, and cargo and baggage tiedown equipment, including containers, bins, pallets, etc., used in passenger or crew compartments, may not have an average burn rate greater than 2.5 inches per minute when tested horizontally in accordance with the applicable portions of Appendix F of this part, or other approved equivalent methods.

(b-3) Except for electrical wire and cable insulation, and for small parts (such as knobs, handles, rollers, fasteners, clips, grommets, rub strips, pulleys, and small electrical parts) that the Administrator finds would not contribute significantly to the propagation of a fire, materials in items not specified in paragraphs (a), (b), (b-1), or (b-2) of this section may not have a burn rate greater than 4 inches per minute when tested horizontally in accordance with the applicable portions of Appendix F of this part or other approved equivalent methods.

13. Section 25.855 is amended by amending paragraph (a) and by adding new paragraphs (a-1) and (a-2) to read as follows:

§ 25.855 Cargo and baggage compartments.

(a) Thermal and acoustic insulation (including coverings) and liners, used in each cargo and baggage compartment not occupied by passengers or crew, must be constructed of materials that at least meet the requirements set forth in § 25.853(b).

(a-1) Class B through Class E cargo or baggage compartments as defined in § 25.857, must have a liner and the liner must be constructed of materials that at least meet the requirements set forth in § 25.853(b), must be separate from (but may be attached to) the airplane structure, and must be tested at a 45° angle in accordance with the applicable portions of Appendix F of this part or other approved equivalent methods. In the course of the 45° angle test, the flame may not penetrate (pass through) the material during application of the flame or subsequent to its removal, the average flame time after removal of the flame source may not exceed 15 seconds, and the average glow time may not exceed 10 seconds.

(a-2) Insulation blankets and cargo covers used to protect cargo in compartments not occupied by passengers or crew must be constructed of materials that at least meet the requirements of § 25.853(b), and tiedown equipment (including containers, bins, and pallets) used in each cargo and baggage compartment not occupied by passengers or crew must be constructed of materials that at least meet the requirements set forth in § 25.853(b-3).

§ 25.857 [Amended]

14. Section 25.857 is amended by striking out subparagraph (4) of paragraph (b), subparagraph (5) of paragraph (c), subparagraph (4) of paragraph (d), and subparagraph (1) of paragraph (e) and by designating them "reserved".

15. Section 25.1359 is amended by adding a new paragraph (d) to read as follows:

§ 25.1359 Electrical system fire and smoke protection.

(d) Insulation on electrical wire and electrical cable installed in any area of the fuselage must be self-extinguishing when tested at an angle of 60° in accordance with the applicable portions of Appendix F of this part, or other approved equivalent methods. The average burn length may not exceed 3 inches and the average flame time after removal of the flame source may not ex-

ceed 30 seconds. Drippings from the test specimen may not continue to flame for more than an average of 3 seconds after falling.

§ 25.141 [Amended]

16. Section 25.141(c) is amended by striking out the reference to "§ 25.807 (c) (4)" and inserting reference to "§ 25.809(f)" in place thereof.

17. Paragraph (a) of § 25.1557 is amended to read as follows:

§ 25.1557 Miscellaneous markings and placards.

(a) *Baggage and cargo compartments and ballast location.* Each baggage and cargo compartment, and each ballast location must have a placard stating any limitations on contents, including weight, that are necessary under the loading requirements. However, underseat compartments designed for the storage of carry-on articles weighing not more than 20 pounds need not have a loading limitation placard.

18. Appendix F is amended to read as follows:

Appendix F

An acceptable Test Procedure for showing compliance with §§ 25.853, 25.855, and 25.1359.

(a) *Conditioning.* Specimens must be conditioned to 70° F, plus or minus 5° and at 50 percent plus or minus 5 percent relative humidity until moisture equilibrium is reached or for 24 hours. Only one specimen at a time may be removed from the conditioning environment immediately before subjecting it to the flame.

(b) *Specimen configuration.* Except as provided for materials used in electrical wire and cable insulation and in small parts, materials must be tested either as a section cut from a fabricated part as installed in the airplane or as a specimen simulating a cut section, such as: A specimen cut from a flat sheet of the material or a model of the fabricated part. The specimen may be cut from any location in a fabricated part; however, fabricated units, such as sandwich panels, may not be separated for test. The specimen thickness must be no thicker than the minimum thickness to be qualified for use in the airplane, except that: (1) Thick foam parts, such as seat cushions, must be tested in 1/2-inch thickness; (2) when showing compliance with § 25.853(b-3) for materials used in small parts that must be tested, the materials must be tested in no more than 1/8-inch thickness; (3) when showing compliance with § 25.1359(d) for materials used in electrical wire and cable insulation, the wire and cable specimens must be the same size as used in the airplane. In the case of fabrics, both the warp and fill direction of the weave must be tested to determine the most critical flammability conditions: When performing the tests prescribed in paragraphs (d) through (e) of this appendix, the specimen must be mounted in a metal frame so that: (1) in the vertical tests of paragraph (d), the two long edges and the upper edge are held securely; (2) in the horizontal test of paragraph (e), the two long edges and the edge away from the flame are held securely; (3) the exposed area of the specimen is at least 2 inches wide and 12 inches long, unless the actual size used in the airplane is smaller; and (4) the edge to which the burner flame is applied must not consist of the finished or protected edge of the specimen but must be representative of the actual

cross-section of the material or part installed in the airplane. When performing the test prescribed in paragraph (f) of this appendix, the specimen must be mounted in a metal frame so that all four edges are held securely and the exposed area of the specimen is at least 8 inches by 8 inches.

(c) *Apparatus.* Except as provided in paragraph (h) of this appendix, tests must be conducted in a draft-free cabinet in accordance with Federal Test Method Standard 191 Method 5903 (revised Method 5902) for the vertical test, or Method 5906 for horizontal test (available from the General Services Administration, Business Service Center, Region 3, Seventh and D Streets SW., Washington, DC 20407) or other approved equivalent methods. Specimens which are too large for the cabinet must be tested in similar draft-free conditions.

(d) *Vertical test, in compliance with § 25.853 (a) and (b).* A minimum of three specimens must be tested and the results averaged. For fabrics, the direction of weave corresponding to the most critical flammability conditions must be parallel to the longest dimension. Each specimen must be supported vertically. The specimen must be exposed to a Bunsen or Tirrill burner with a nominal $\frac{3}{8}$ -inch I.D. tube adjusted to give a flame of $1\frac{1}{2}$ inches in height. The minimum flame measured by a calibrated thermocouple pyrometer in the center of the flame must be $1,550^\circ\text{F}$. The lower edge of the specimen must be three-fourths inch above the top edge of the burner. The flame must be applied to the center line of the lower edge of the specimen. For materials covered by § 25.853 (a), the flame must be applied for 60 seconds and then removed. For materials covered by § 25.853(b), the flame must be applied for 12 seconds and then removed. Flame time, burn length, and flaming time of drippings, if any, must be recorded. The burn length determined in accordance with paragraph (g) of this appendix must be measured to the nearest one-tenth inch.

(e) *Horizontal test in compliance with § 25.853 (b-2) and (b-3).* A minimum of three specimens must be tested and the results averaged. Each specimen must be supported horizontally. The exposed surface when installed in the aircraft must be face down for the test. The specimen must be exposed to a Bunsen burner or Tirrill burner with a nominal $\frac{3}{8}$ -inch I.D. tube adjusted to give a flame of $1\frac{1}{2}$ inches in height. The minimum flame temperature measured by a calibrated thermocouple pyrometer in the center of the flame must be $1,550^\circ\text{F}$. The specimen must be positioned so that the edge being tested is three-fourths of an inch above the top of, and on the center line of, the burner. The flame must be applied for 15 seconds and then removed. A minimum of 10 inches of the specimen must be used for timing purposes, approximately $1\frac{1}{2}$ inches must burn before the burning front reaches the timing zone, and the average burn rate must be recorded.

(f) *Forty-five-degree test, in compliance with § 25.855(a-1).* A minimum of three specimens must be tested and the results averaged. The specimens must be supported at an angle of 45° to a horizontal surface. The exposed surface when installed in the aircraft must be face down for the test. The specimens must be exposed to a Bunsen or Tirrill burner with a nominal $\frac{3}{8}$ -inch I.D. tube adjusted to give a flame of $1\frac{1}{2}$ inches in height. The minimum flame temperature measured by a calibrated thermocouple pyrometer in the center of the flame must be $1,550^\circ\text{F}$. Suitable precautions must be taken to avoid drafts. One-third of the flame must contact the material at the center of the specimen and must be applied for 30 seconds and then removed. Flame time, glow time,

and whether the flame penetrates (passes through) the specimen must be recorded.

(g) *Sixty-degree test in compliance with § 25.1359(d).* A minimum of three specimens of each wire specification (make and size) must be tested. The specimen of wire or cable (including insulation) must be placed at an angle of 60° with the horizontal in the cabinet specified in paragraph (c) of this appendix with the cabinet door open during the test or must be placed within a chamber approximately 2 feet high x 1 foot x 1 foot, open at the top and at one vertical side (front), and which allows sufficient flow of air for complete combustion, but which is free from drafts. The specimen must be parallel to and approximately 6 inches from the front of the chamber. The lower end of the specimen must be held rigidly clamped. The upper end of the specimen must pass over a pulley or rod and must have an appropriate weight attached to it so that the specimen is held tautly throughout the flammability test. The test specimen span between lower clamp and upper pulley or rod must be 24 inches and must be marked 8 inches from the lower end to indicate the central point for flame application. A flame from a Bunsen or Tirrill burner must be applied for 30 seconds at the test mark. The burner must be mounted underneath the test mark on the specimen, perpendicular to the specimen and at an angle of 30° to the vertical plane of the specimen. The burner must have a nominal bore of three-eighths inch, and must be adjusted to provide a 3-inch-high flame with an inner cone approximately one-third of the flame height. The minimum temperature of the hottest portion of the flame, as measured with a calibrated thermocouple pyrometer, may not be less than $1,750^\circ\text{F}$. The burner must be positioned so that the hottest portion of the flame is applied to the test mark on the wire. Flame time, burn length, and flaming time of drippings, if any, must be recorded. The burn length determined in accordance with paragraph (g) of this appendix must be measured to the nearest one-tenth inch. Breaking of the wire specimens is not considered a failure.

(h) *Burn length.* Burn length is the distance from the original edge to the farthest evidence of damage to the test specimen due to flame impingement, including areas of partial or complete consumption, charring, or embrittlement, but not including areas sooted, stained, warped, or discolored, nor areas where material has shrunk or melted away from the heat source.

PART 37—TECHNICAL STANDARD ORDER AUTHORIZATIONS

1. Section 37.132 is amended by changing the section heading, by amending paragraph (a) (1), and by adding a new subdivision (vi) to paragraph (a) (2) to read as follows:

§ 37.132 Safety Belts—TSO-C22f.

(a) *Applicability.*—(1) *Minimum performance standards.* This technical standard order prescribes the minimum performance standards that safety belts must meet in order to be identified with the applicable TSO marking. New models of safety belts that are to be so identified and that are manufactured on or after May 1, 1972, must meet the standards set forth in National Aircraft Standards (NAS) Specification 802 revised May 15, 1950, with the exceptions covered in subparagraph (2) of this paragraph. NAS

802 is incorporated by reference herein in accordance with 5 U.S.C. 552(a) (1) and § 37.23 and is available as indicated in § 37.23. Additionally, NAS 802 may be examined at any FAA regional office of the Chief, Engineering and Manufacturing Branch (or in the case of the Western Region, the Chief, Aircraft Engineering Division), and may be obtained from the National Standards Association, 1321 14th Street NW., Washington, DC 20005, at a cost of three (3) dollars. Belts approved under prior issuances of this section may continue to be manufactured under the earlier provisions.

(2) *Exceptions.* * * *

(vi) In lieu of compliance with paragraphs 1.1.1, 3.1.4, and 4.3.1.1 of NAS 802, the webbing and all other materials used in the belt assembly must comply with the fire protection provisions of § 25.853 (b-2) of this chapter.

2. Section 37.136 is amended to read as follows:

§ 37.136 Aircraft seats and berths—TSO-C39a.

(a) *Applicability.*—(1) *Minimum performance standards.* (i) This technical standard order prescribes the minimum performance standards that aircraft seats and berths of the following types must meet in order to be identified with the applicable TSO marking:

- Type I—Transport (9g forward load).
- Type II—Normal and utility.
- Type III—Acrobatic.
- Type IV—Rotorcraft.

(ii) New models of seats and berths that are to be so identified, and that are manufactured on or after May 1, 1972, must meet the standards set forth in National Aircraft Standard (NAS) Specification 809, dated January 1, 1956, with the exceptions covered in subparagraph (2) of this paragraph. NAS 809 is incorporated by reference herein in accordance with 5 U.S.C. 552(a) (1) and § 37.23 and is available as indicated in § 37.23. Additionally, NAS 809 may be examined at any FAA regional office of the Chief, Engineering and Manufacturing Branch (or in the case of the Western Region, the Chief, Aircraft Engineering Division), and may be obtained from the National Standards Association, 1321 14th Street NW., Washington, DC 20005, at a cost of three (3) dollars.

(2) *Exceptions.* (i) The sideward loads as specified in 4.1.2. Table I need not exceed the requirements of the applicable Federal Aviation Regulations.

(ii) In lieu of compliance with paragraphs 2.1, 3.12, and 4.32 of NAS 809, materials in Type I seats and berths must comply with the fire protection provisions of § 25.853(b) of this chapter.

(b) *Marking.* The weight required in § 37.7 need not be included.

(c) *Previous approval.* Seats and berths approved prior to May 1, 1972, may continue to be manufactured under the provisions of their original approval.

3. Section 37.178 is amended as follows:

A. The section heading is changed and paragraph (a) is amended to read as set forth below.

B. Paragraphs 4.0.4 and 7.0.3 of Federal Aviation Administration Standard, Individual Flotation Devices, are amended to read as set forth below.

§ 37.178 Individual flotation devices—TSO-C72b.

(a) *Applicability.* This technical standard order (TSO) prescribes the minimum performance standards that individual flotation devices must meet in order to be identified with the applicable TSO marking. New models of the devices that are to be so identified, and that are manufactured on or after May 1, 1972, must meet the requirements of the "Federal Aviation Administration Standard, Individual Flotation Devices", amended effective May 1, 1972, set forth at the end of this section.

4.0.4 *Fire protection.* If the device is not used as part of a seat or berth, materials used in the device, including any covering, must meet paragraph 6.0.2 of this standard. If the device is to be used as part of a seat or berth, all materials used in the device must meet paragraph 7.0.3 of this standard.

7.0.3 *Test for fire protection of materials.* Materials used in flotation devices that are to be used as part of an aircraft seat or berth must comply with the self-extinguishing fire protection provisions of § 25.853(b) of Part 25 of this chapter. In all other applications, the materials in the flotation devices must be tested in accordance with paragraph 6.0.2 of this standard to substantiate adequate flame resistant properties.

PART 121—CERTIFICATION AND OPERATIONS: DOMESTIC, FLAG, AND SUPPLEMENTAL AIR CARRIERS AND COMMERCIAL OPERATORS OF LARGE AIRCRAFT

1. Paragraph (a) of § 121.215 is amended to read as follows:

§ 121.215 Cabin interiors.

(a) Except as provided in § 121.312, each compartment used by the crew or passengers must meet the requirements of this section.

2. Paragraph (a) of § 121.291 is amended to read as follows:

§ 121.291 Demonstration of emergency evacuation procedures.

(a) Each certificate holder must show, by actual demonstration conducted in accordance with paragraph (a) of Appendix D to this part, that the emergency evacuation procedures for each type and model of airplane with a seating capacity of more than 44 passengers, that is used in its passenger-carrying operations, allow the evacuation of the full seating capacity, including crewmembers, in 90 seconds or less, in each of the following circumstances:

(1) A demonstration must be conducted upon the initial introduction of

a type and model of airplane into passenger-carrying operations. However, the demonstration need not be repeated for any airplane type or model that has the same number and type of exits, the same cabin configuration, and the same emergency equipment, as any other airplane used by the certificate holder in successfully demonstrating emergency evacuation in compliance with this paragraph.

(2) A demonstration must be conducted—

(i) Upon increasing by more than 5 percent the passenger seating capacity for which successful demonstration has been conducted; or

(ii) Upon a major change in the passenger cabin interior configuration that will affect the emergency evacuation of passengers.

3. Section 121.310 is amended as follows:

A. Paragraphs (a), (b)(2), and (c) are amended to read as set forth below.

B. Paragraph (d) of § 121.310 is amended by amending the flush paragraph at the end by inserting the word "transverse" between the word "a" and the word "vertical", and by adding a new subparagraph (3) to read as set forth below.

C. Paragraph (e) of § 121.310 is amended by amending the last sentence

D. Paragraph (f) of § 121.310 is amended by amending the last sentence of subparagraph (3) to read as set forth below.

E. Paragraphs (g), (h), (i), and (j) are amended to read as set forth below.

As amended, § 121.310 will read as follows:

§ 121.310 Additional emergency equipment.

(a) *Means for emergency evacuation.* Each passenger-carrying landplane emergency exit (other than over-the-wing) that is more than 6 feet from the ground with the airplane on the ground and the landing gear extended, must have an approved means to assist the occupants in descending to the ground. The assisting means for a floor-level emergency exit must meet the requirements of § 25.809(f)(1) of this chapter in effect on April 30, 1972, except that, for any airplane for which the application for the type certificate was filed after that date, it must meet the requirements under which the airplane was type certificated. An assisting means that deploys automatically must be armed during taxiing, takeoffs, and landings. However, if the Administrator finds that the design of the exit makes compliance impractical, he may grant a deviation from the requirement of automatic deployment if the assisting means automatically erects upon deployment and, with respect to required emergency exits, if an emergency evacuation demonstration is conducted in accordance with § 121.291(a). This paragraph does not apply to the rear window emergency exit of DC-3 airplanes operated with less than 36 occupants, in-

cluding crewmembers and less than five exits authorized for passenger use.

(b) *Interior emergency exit markings.* * * *

(2) Each passenger emergency exit marking and each locating sign must meet the following:

(i) For an airplane for which the application for the type certificate was filed prior to May 1, 1972, each passenger emergency exit marking and each locating sign must be manufactured to meet the requirements of § 25.812(b) of this chapter in effect on April 30, 1972. On these airplanes, no sign may continue to be used if its luminescence (brightness) decreases to below 100 microlamberts. The colors may be reversed if it increases the emergency illumination of the passenger compartment. However, the Administrator may authorize deviation from the 2-inch background requirements if he finds that special circumstances exist that make compliance impractical and that the proposed deviation provides an equivalent level of safety.

(ii) For an airplane for which the application for the type certificate was filed on or after May 1, 1972, each passenger emergency exit marking and each locating sign must be manufactured to meet the interior emergency exit marking requirements under which the airplane was type certificated. On these airplanes, no sign may continue to be used if its luminescence (brightness) decreases to below 250 microlamberts.

(c) *Lighting for interior emergency exit markings.* Each passenger-carrying airplane must have an emergency lighting system, independent of the main lighting system. However, sources of general cabin illumination may be common to both the emergency and the main lighting systems if the power supply to the emergency lighting system is independent of the power supply to the main lighting system. The emergency lighting system must—

(1) Illuminate each passenger exit marking and locating sign; and

(2) Provide enough general lighting in the passenger cabin so that the average illumination, when measured at 40-inch intervals at seat armrest height, on the centerline of the main passenger aisle, is at least 0.05 foot-candles.

(d) *Emergency light operation.* * * *

(3) After May 1, 1974, each light must provide the required level of illumination for at least 10 minutes at the critical ambient conditions after emergency landing.

(e) *Emergency exit operating handles.*

(1) For a passenger-carrying airplane for which the application for the type certificate was filed prior to May 1, 1972, the location of each passenger emergency exit operating handle, and instructions for opening the exit, must be shown by a marking on or near the exit that is readable from a distance of 30 inches. In addition, for each Type I and Type II emergency exit with a locking mechanism released by rotary motion of the handle, the instructions for opening must be shown by—

(i) A red arrow with a shaft at least three-fourths inch wide and a head twice the width of the shaft, extending along at least 70° of arc at a radius approximately equal to three-fourths of the handle length; and

(ii) The word "open" in red letters 1 inch high placed horizontally near the head of the arrow.

(2) For a passenger-carrying airplane for which the application for the type certificate was filed on or after May 1, 1972, the location of each passenger emergency exit operating handle and instructions for opening the exit must be shown in accordance with the requirements under which the airplane was type certificated. On these airplanes, no operating handle or operating handle cover may continue to be used if its luminance (brightness) decreases to below 100 microlamberts.

(f) *Emergency exit access.* * * *

(3) * * * In addition—

(i) For an airplane for which the application for the type certificate was filed prior to May 1, 1972, the access must meet the requirements of § 25.813(c) of this chapter in effect on April 30, 1972; and

(ii) For an airplane for which the application for the type certificate was filed on or after May 1, 1972, the access must meet the emergency exit access requirements under which the airplane was type certificated.

(g) *Exterior exit markings.* Each passenger emergency exit and the means of opening that exit from the outside must be marked on the outside of the airplane. There must be a 2-inch colored band outlining each passenger emergency exit on the side of the fuselage. Each outside marking, including the band, must be readily distinguishable from the surrounding fuselage area by contrast in color. The markings must comply with the following:

(1) If the reflectance of the darker color is 15 percent or less, the reflectance of the lighter color must be at least 45 percent.

(2) If the reflectance of the darker color is greater than 15 percent, at least a 30 percent difference between its reflectance and the reflectance of the lighter color must be provided.

(3) Exits that are not in the side of the fuselage must have the external means of opening and applicable instructions marked conspicuously in red or, if red is inconspicuous against the background color, in bright chrome yellow and, when the opening means for such an exit is located on only one side of the fuselage, a conspicuous marking to that effect must be provided on the other side. "Reflectance" is the ratio of the luminous flux reflected by a body to the luminous flux it receives.

(h) *Exterior emergency lighting and escape route.* (1) Each passenger-carrying airplane must be equipped with exterior lighting that meets the following requirements:

(i) For an airplane for which the application for the type certificate was

filed prior to May 1, 1972, the requirements of § 25.812 (f) and (g) of this chapter in effect on April 30, 1972.

(ii) For an airplane for which the application for the type certificate was filed on or after May 1, 1972, the exterior emergency lighting requirements under which the airplane was type certificated.

(2) Each passenger-carrying airplane must be equipped with a slip-resistant escape route that meets the following requirements:

(i) For an airplane for which the application for the type certificate was filed prior to May 1, 1972, the requirements of § 25.803(e) of this chapter in effect on April 30, 1972.

(ii) For an airplane for which the application for the type certificate was filed on or after May 1, 1972, the slip-resistant escape route requirements under which the airplane was type certificated.

(i) *Floor level exits.* Each floor level door or exit in the side of the fuselage (other than those leading into a cargo or baggage compartment that is not accessible from the passenger cabin) that is 44 or more inches high and 20 or more inches wide, but not wider than 46 inches, each passenger ventral exit (except the ventral exits on M-404 and CV-240 airplanes), and each tail cone exit, must meet the requirements of this section for floor level emergency exits. However, the Administrator may grant a deviation from this paragraph if he finds that circumstances make full compliance impractical and that an acceptable level of safety has been achieved.

(j) *Additional emergency exits.* Approved emergency exits in the passenger compartments that are in excess of the minimum number of required emergency exits must meet all of the applicable provisions of this section except paragraph (f) (1), (2), and (3) of this section and must be readily accessible.

4. Section 121.311 is amended by adding a new paragraph (e) to read as follows:

§ 121.311 *Seat and safety belts.*

(e) Each occupant of a seat equipped with a shoulder harness must fasten the shoulder harness during takeoff and landing, except that, in the case of crewmembers, the shoulder harness need not be fastened if the crewmember cannot perform his required duties with the shoulder harness fastened.

5. Section 121.312 is amended to read as follows:

§ 121.312 *Materials for compartment interiors.*

Upon the first major overhaul of an airplane cabin or refurbishing of the cabin interior all materials in each compartment used by the crew or passengers that do not meet the following requirements must be replaced with materials that meet these requirements:

(a) For an airplane for which the application for the type certificate was filed prior to May 1, 1972, § 25.853 of this chapter in effect on April 30, 1972.

(b) For an airplane for which the application for the type certificate was filed on or after May 1, 1972, the materials requirement under which the airplane was type certificated.

6. Paragraph (a) of § 121.317 is amended to read as follows:

§ 121.317 *Passenger information.*

(a) Until May 1, 1974, no person may operate an airplane unless it is equipped with signs that are visible to passengers and cabin attendants to notify them when smoking is prohibited and when safety belts should be fastened. After May 1, 1974, no person may operate an airplane unless it is equipped with passenger information signs that meet the requirements of § 25.791 of this chapter. The signs must be constructed so that the crew can turn them on and off. They must be turned on for each takeoff and each landing and when otherwise considered to be necessary by the pilot in command.

7. Section 121.391 is amended by inserting the words "required by this section" between the word "attendants" and the word "shall", and by inserting the word "required" between the word "to" and the word "floor", in paragraph (d) and by amending paragraph (c) to read as follows:

§ 121.391 *Flight attendants.*

(c) The number of flight attendants approved under paragraphs (a) and (b) of this section are set forth in the certificate holder's operations specifications.

8. Paragraph (a) of § 121.571 is amended to read as follows:

§ 121.571 *Briefing passengers before takeoff.*

(a) Each certificate holder operating a passenger-carrying airplane shall insure that all passengers are orally briefed by the appropriate crewmember as follows:

(1) Before each takeoff, on each of the following:

(i) Smoking.
(ii) The location of emergency exits.
(iii) The use of seat belts.

(2) After each takeoff, immediately before or immediately after turning the seat belt sign off, an announcement shall be made that passengers should keep their seat belts fastened, while seated, even when the seat belt sign is off.

9. A new § 121.576 is added to read as follows:

§ 121.576 *Retention of items of mass in passenger and crew compartments.*

After May 1, 1974, means must be provided to prevent each item of galley equipment and each serving cart, when not in use, and each item of crew baggage, which is carried in a passenger or crew compartment from becoming a hazard by shifting under the appropriate load factors corresponding to the emergency landing conditions under which the airplane was type certificated.

10. A new § 121.577 is added to read as follows:

§ 121.577 Food and beverage service equipment during takeoff and landing.

(a) No certificate holder may take off or land an airplane when any food, beverage, or tableware, furnished by the certificate holder is located at any passenger seat.

(b) No certificate holder may take off or land an airplane unless each passenger's food and beverage tray and each serving cart is secured in its stowed position.

(c) Each passenger shall comply with instructions given by a crewmember in compliance with this section.

11. Section 121.589 is amended to read as follows:

§ 121.589 Carry-on baggage.

(a) No certificate holder may permit an airplane to take off or land unless each article of baggage carried aboard by passengers is stowed—

(1) In a suitable baggage or cargo stowage compartment;

(2) As provided in paragraph (c) of § 121.285; or

(3) Under a passenger seat.

(b) Each passenger shall comply with instructions given by crewmembers regarding compliance with paragraph (a) of this section.

(c) Each passenger seat under which baggage is permitted to be stowed shall

be fitted with a means to prevent articles of baggage stowed under it from sliding forward under crash impacts severe enough to induce the ultimate inertia forces specified in § 25.561(b)(3) of this chapter or in the emergency landing condition regulations under which the aircraft was type certificated.

(Secs. 313(a), 601, 603, 604, Federal Aviation Act of 1958, 49 U.S.C. 1354(a), 1421, 1423, 1424, sec. 6(c), Department of Transportation Act, 49 U.S.C. 1655(c))

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J. H. SHAFFER,
Administrator.

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